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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 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)

**(1) MAJOR AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE SALE SHARES
AND THE SALE LOANS INVOLVING ISSUE OF
THE CONSIDERATION SHARES;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

Financial adviser to Chuang's China Investments Limited

BALLAS
C A P I T A L

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

Halcyon Capital Limited

Capitalized terms used in this cover will have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 23 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 24 to 25 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 67 of this circular.

A notice convening the SGM to be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 14 September 2021 at 10:00 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 SGM

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 SGM:

- (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 SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM 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.

20 August 2021

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	24
Letter from the Independent Financial Adviser	26
Appendix I — Financial information of the Group	I-1
Appendix IIA — Accountant’s report on the Central Treasure Group	IIA-1
Appendix IIB — Accountant’s report on Easy Success	IIB-1
Appendix III — Management Discussion and Analysis of the Target Companies	III-1
Appendix IV — Unaudited pro forma financial information of the Enlarged Group	IV-1
Appendix V — Valuation in relation to Project-HK and Project-Kowloon ...	V-1
Appendix VI — General Information	VI-1
Notice of SGM	SGM-1

DEFINITIONS

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

“Agreed Property Valuation”	the agreed property value for Project-HK of HK\$579 million and for Project-Kowloon of HK\$426 million
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday or a public holiday in Hong Kong 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 Hong Kong are open for general banking business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Central Treasure”	Central Treasure Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Vendor 1 as at the Latest Practicable Date
“Central Treasure Group”	Central Treasure and its subsidiaries
“Chuang’s Consortium” or “Vendors’ Guarantor”	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, including the Group
“Company” or “Purchaser’s Guarantor”	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 approximately 60.71% by the Chuang’s Consortium Group
“Completion”	completion of the Proposed Transaction in accordance with the terms and conditions of the Sale and Purchase Agreement

DEFINITIONS

“Completion NAV”	comprising the sum of: <ul style="list-style-type: none">(i) the aggregate of all assets (excluding Project-HK and a receivable relating to stamp duty refund of approximately HK\$36.9 million) less the aggregate of all liabilities and provisions (excluding the Sale Loan (Central Treasure)) of the Central Treasure Group on the date of Completion; and(ii) the aggregate of all assets (excluding Project-Kowloon) less the aggregate of all liabilities and provisions (excluding the Sale Loan (Easy Success)) of Easy Success on the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of not more than HK\$586,000,000, payable by the Purchaser for the Sale Shares and the Sale Loans
“Consideration Shares”	a maximum number of 1,065,454,545 Shares to be allotted and issued by the Company at the issue price of HK\$0.55 to Profit Stability, a direct wholly-owned subsidiary of Chuang’s Consortium, upon Completion pursuant to the terms of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Easy Success”	Easy Success Enterprises Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Vendor 2 as at the Latest Practicable Date
“EHL”	Evergain Holdings Limited, which, as at the date of the Sale and Purchase Agreement, held 899,253,332 shares of Chuang’s Consortium, representing approximately 53.77% of the entire issued share capital of Chuang’s Consortium at that time
“Enlarged Group”	the Group as enlarged by the Central Treasure Group and Easy Success which will become subsidiaries of the Company upon Completion
“GBP”	British Pound Sterling, the lawful currency of the United Kingdom
“GFA”	gross floor area

DEFINITIONS

“Group”	the Company and its subsidiaries
“Halcyon Capital” or “Independent Financial Adviser”	Halcyon Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Transaction
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising Mr. Andrew Fan Chun Wah, Dr. Eddy Li Sau Hung and Dr. Ng Kit Chong (all of whom are independent non-executive Directors) to advise the Independent Shareholders in relation to the Proposed Transaction
“Independent Shareholders”	Shareholder(s) other than Profit Stability, Ms. Candy Chuang, and Mr. Lee, and their respective associates
“Knight Frank”	Knight Frank Petty Limited, an independent valuer appointed by the Company to carry out the valuation of Project-HK and Project-Kowloon
“Last Trading Day”	29 June 2021, being the last trading day of the Shares before the signing of the Sale and Purchase Agreement
“Latest Practicable Date”	18 August 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021 (or such other day as may be agreed in writing between the Vendors and the Purchaser)
“Mr. Alan Chuang”	Mr. Alan Chuang Shaw Swee, the controlling shareholder of Chuang’s Consortium
“Mr. Lee”	Mr. Lee Sai Wai, a brother-in-law of Mr. Alan Chuang and a director of certain subsidiaries of Chuang’s Consortium and the Company

DEFINITIONS

“Ms. Candy Chuang”	Mrs. Candy Kotewall Chuang Ka Wai, a daughter of Mr. Alan Chuang and an executive director of Chuang’s Consortium
“PRC”	the People’s Republic of China
“Profit Stability”	Profit Stability Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Chuang’s Consortium
“Project-HK”	the property development project located at Nos. 16, 18 and 20 Gage Street, Hong Kong
“Project-Kowloon”	Posco Building, located at No. 165 Un Chau Street, Kowloon, Hong Kong
“Proposed Conditional Chuang’s China Special Cash Distribution”	the cash distribution of 8.5 HK cents per Share declared by the Board, the payment of which is conditional upon the Completion of the Proposed Transaction
“Proposed Transaction”	the transactions contemplated under the Sale and Purchase Agreement, including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate
“Purchaser”	Chuang’s China Realty Limited, a company incorporated in Bermuda with limited liability and a direct wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 29 June 2021 entered into amongst the Vendors, the Purchaser, Chuang’s Consortium and the Company in relation to the sale and purchase of the Sale Shares and the Sale Loans
“Sale Loan (Central Treasure)”	the entire amount of the loan or indebtedness owing by the Central Treasure Group to Vendor 1 on the date of Completion
“Sale Loan (Easy Success)”	the entire amount of the loan or indebtedness owing by Easy Success to Vendor 2 on the date of Completion
“Sale Loans”	comprising the Sale Loan (Central Treasure) and the Sale Loan (Easy Success)

DEFINITIONS

“Sale Shares”	1 share of Central Treasure and 2 shares of Easy Success, representing the entire issued share capital of each of the Target Companies
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering, and, if thought fit, approving, among others, the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate, by the Independent Shareholders
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to be sought at the SGM for the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Central Treasure and Easy Success
“Vendor 1”	Energy Hero Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Chuang’s Consortium
“Vendor 2”	Fanus Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Chuang’s Consortium
“Vendors”	Vendor 1 and Vendor 2
“sq. ft.”	square feet
“sq. m.”	square metres
“%”	percentage or per centum



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. Edwin Chuang Ka Fung (*Managing Director*)
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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2 Church Street
Hamilton HM11
Bermuda

Principal office in Hong Kong:

25th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

20 August 2021

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE SALE SHARES
AND THE SALE LOANS INVOLVING ISSUE OF
THE CONSIDERATION SHARES;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 29 June 2021 (after trading hours), the Board announced in a joint announcement with Chuang's Consortium that, the Vendors (indirect wholly-owned subsidiaries of Chuang's Consortium), the Purchaser (a direct wholly-owned subsidiary of the Company), Chuang's Consortium and the Company entered into the Sale and Purchase Agreement, pursuant to which the Vendors have conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to acquire and accept the assignment of, the Sale Shares (being the entire issued share capital of each of the Target Companies) and the Sale Loans.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, amongst other things, (i) further information on the Proposed Transaction; (ii) the recommendation of the Independent Board Committee in relation to the Proposed Transaction; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Proposed Transaction; (iv) the valuation report of Project-HK and Project-Kowloon; and (v) the notice of the SGM to be convened for the purpose of considering and approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate.

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follow:

Date

29 June 2021 (after trading hours)

Parties

Vendors:	Energy Hero Limited and Fanus Limited, both are indirect wholly-owned subsidiaries of Chuang's Consortium
Purchaser:	Chuang's China Realty Limited, a direct wholly-owned subsidiary of the Company
Vendors' Guarantor:	Chuang's Consortium International Limited
Purchaser's Guarantor:	Chuang's China Investments Limited

Chuang's Consortium and the Company are parties to the Sale and Purchase Agreement guaranteeing the performance of the Vendors and the Purchaser respectively under the Sale and Purchase Agreement.

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to acquire and accept the assignment of, the Sale Shares and the Sale Loans 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.

Consideration

The Consideration for the Sale Shares and the Sale Loans is estimated to be not more than HK\$586,000,000, which was determined after arm's length negotiations between the Vendors and the Purchaser, and is arrived at based on the aggregate of (i) the Agreed Property Valuation of Project-HK and Project-Kowloon in the aggregate amount of approximately HK\$1,005 million; and (ii) the Completion NAV of the Target Companies, estimated to be not

LETTER FROM THE BOARD

less than approximately HK\$419 million in net liabilities with reference to the financial position of the Central Treasure Group and Easy Success as at 31 March 2021 and taking into account the ordinary transactions (actual and expected) from 31 March 2021 up to the date of Completion. Thus, the Consideration, which is estimated to be not more than HK\$586 million, would be calculated as Agreed Property Valuation less the absolute amount of the Completion NAV since the Completion NAV is less than zero. The exact amount of the Consideration will be determined as at the date of Completion. As at 31 March 2021, the book value of the Sale Loan (Central Treasure) and Sale Loan (Easy Success) (aggregate with other loans and amounts due to the Chuang's Consortium Group) was approximately HK\$585.4 million and HK\$129.7 million, respectively.

The Agreed Property Valuation for Project-HK was HK\$579 million and that for Project-Kowloon was HK\$426 million. The Agreed Property Valuation was determined after arm's length negotiations between the Vendors and the Purchaser by reference to, among others, market values of comparable properties and the respective market valuation from independent valuers instructed by Chuang's Consortium and the Company respectively. The market valuation as at 31 May 2021 as appraised by Colliers International (Hong Kong) Limited, an independent valuer appointed by Chuang's Consortium, based on market approach was HK\$579 million for Project-HK and HK\$426 million for Project-Kowloon, which is the same as the Agreed Property Valuation. The market valuation as at 31 May 2021 as appraised by Knight Frank, an independent valuer appointed by the Company, based on market approach was HK\$585 million for Project-HK and HK\$435 million for Project-Kowloon, representing a respective premium of about 1.0% for Project-HK and 2.1% for Project-Kowloon to the Agreed Property Valuation. For details of the market valuation as appraised by Knight Frank, please refer to the valuation report as set out in Appendix V to this circular.

In computation of the Completion NAV, the Vendors and the Purchaser agreed that as the transactions contemplated under the Sale and Purchase Agreement comprise the sale of Sale Shares instead of sale of properties, the stamp duty refundable relating to Project-HK shall not be included as an asset to be acquired by the Purchaser. The nature of the stamp duty is the historical buyer's stamp duty paid by the Central Treasure Group upon acquisition of Project-HK, and the Central Treasure Group has already applied to the Inland Revenue Department for the refund which is expected to be settled by the end of 2021. Upon receipt of such stamp duty refund after Completion, the Purchaser will procure the Central Treasure Group to return the amount received to Vendor 1.

The Consideration shall be satisfied entirely by way of allotment and issue of Consideration Shares by the Company to Profit Stability, a direct wholly-owned subsidiary of Chuang's Consortium, at the issue price of HK\$0.55 per Consideration Share. With reference to the Consideration of not more than HK\$586,000,000, it is expected that not more than 1,065,454,545 Consideration Shares will be issued.

LETTER FROM THE BOARD

Conditions precedent

Completion is conditional upon:

- (i) the shareholders of Chuang's Consortium approving the Proposed Transaction;
- (ii) the Independent Shareholders approving the Proposed Transaction;
- (iii) the Listing Committee having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (iv) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on Completion, save for any trading halt or suspension not exceeding seven consecutive Business Days in connection with the clearance by the Stock Exchange of the announcement to be issued in respect of, inter alia, the Proposed Transaction;
- (v) no indication being received on or before the date of Completion from the Stock Exchange to the effect that the listing of the Shares may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the terms of the Sale and Purchase Agreement or for any reason;
- (vi) the Central Treasure Group and Easy Success having good title to Project-HK and Project-Kowloon respectively;
- (vii) all statutory, governmental and regulatory obligations having been complied with and all regulatory, statutory and governmental consents and waivers necessary to give effect to the Completion having been obtained by the Vendors and the Purchaser; and
- (viii) the financing banks giving the necessary consents and waivers (if applicable) for the continuation of the bank borrowings to the Target Companies notwithstanding the Proposed Transaction and the release of Chuang's Consortium as the guarantor for the bank borrowings.

As at the date of the Sale and Purchase Agreement, written approval was obtained from EHL, which held approximately 53.77% of the entire issued share capital of Chuang's Consortium at that time, approving the Proposed Transaction. Accordingly, condition (i) was satisfied as at the date of the Sale and Purchase Agreement.

Pursuant to condition (viii), if any of the financing banks shall not agree to release Chuang's Consortium from its obligation under the guarantee of the bank borrowings to the Target Companies upon Completion, the Company shall execute an indemnity in favor of Chuang's Consortium to indemnify it against all losses which it may suffer or incur after Completion by reason of Chuang's Consortium becoming liable for providing such guarantee. Thus the Purchaser may in its absolute discretion waive condition (viii).

LETTER FROM THE BOARD

The remaining conditions cannot be waived by the Vendors and the Purchaser. If any of the conditions precedent of the Sale and Purchase Agreement is not fulfilled or waived on or before the Long Stop Date, the rights and obligations of the parties under the Sale and Purchase Agreement shall lapse and be of no further effect.

As at the Latest Practicable Date, except for condition (i), none of the other conditions set forth above has been fulfilled or waived.

Completion

Completion shall take place on (i) the third Business Day (a) after the fulfillment or waiver (if applicable) of the conditions precedent under the Sale and Purchase Agreement or (b) after the record date of the Proposed Conditional Chuang's China Special Cash Distribution, whichever is later; or (ii) such other day as may be agreed in writing between the Vendors and the Purchaser.

Consideration Shares

A maximum of 1,065,454,545 Consideration Shares will be allotted and issued, representing approximately 45.4% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 31.2% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion).

The issue price of HK\$0.55 per Consideration Share represents:

- (i) a premium of approximately 17.0% to the closing price of HK\$0.470 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 18.5% to the average closing price of HK\$0.464 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Day;
- (iii) a premium of approximately 19.3% to the average closing price of HK\$0.461 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the Last Trading Day;
- (iv) a premium of approximately 19.8% to the average closing price of HK\$0.459 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days prior to and including the Last Trading Day;
- (v) a premium of approximately 34.1% to the 52-week average closing price of HK\$0.410 per Share as quoted on the Stock Exchange prior to and including the Last Trading Day;

LETTER FROM THE BOARD

- (vi) a premium of approximately 17.0% to the closing price of HK\$0.470 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a discount of approximately 70.7% to the latest audited net asset value per Share as at 31 March 2021, being HK\$1.88 per Share.

The issue price of HK\$0.55 per Consideration Share was arrived at after arm's length negotiation between the Vendors and the Purchaser with reference to, among others, the then prevailing market prices of the Shares, the last recorded closing prices that traded above HK\$0.55 per Share being in June 2018, and the then market conditions. Accordingly, the Directors (including the members of the Independent Board Committee) consider that despite the fact that the issue price represented a discount of approximately 70.7% to the latest audited net asset value per Share as at 31 March 2021, the issue price of HK\$0.55 is at premium ranging from 17.0% to 34.1% to the average closing prices as stated hereinabove and that the allotment and issue of the Consideration Shares at such issue price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued by the Company under the Specific Mandate proposed to be sought from the Independent Shareholders.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued and fully paid, will rank *pari passu* in all respects with each other and with the Shares in issue at the time of allotment and issue of the Consideration Shares, except that the holder(s) of the Consideration Shares shall not be entitled to receive the Proposed Conditional Chuang's China Special Cash Distribution and any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the date of allotment and issue of the Consideration Shares.

LETTER FROM THE BOARD

EFFECTS OF THE PROPOSED TRANSACTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the maximum number of Consideration Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion):

	As at the Latest Practicable Date		Immediately after the allotment and issue of the maximum number of Consideration Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Shareholders				
Chuang's Consortium (<i>Note 1</i>)	1,426,074,923	60.71	2,491,529,468	72.97
Ms. Candy Chuang (<i>Note 2</i>)	1,255,004	0.05	1,255,004	0.04
Mr. Lee (<i>Note 3</i>)	870,879	0.04	870,879	0.03
Mr. Sunny Pang Chun Kit (<i>Note 4</i>)	<u>930,000</u>	<u>0.04</u>	<u>930,000</u>	<u>0.03</u>
Subtotal	1,429,130,806	60.84	2,494,585,351	73.07
Public shareholders	<u>919,704,510</u>	<u>39.16</u>	<u>919,704,510</u>	<u>26.93</u>
Total	<u><u>2,348,835,316</u></u>	<u><u>100.00</u></u>	<u><u>3,414,289,861</u></u>	<u><u>100.00</u></u>

Note 1: Chuang's Consortium's interest in the Company is and will be held through Profit Stability, a direct wholly-owned subsidiary of Chuang's Consortium.

Note 2: Ms. Candy Chuang is an executive director of Chuang's Consortium.

Note 3: Mr. Lee is a director of certain subsidiaries of Chuang's Consortium and the Company.

Note 4: Mr. Sunny Pang Chun Kit retired and ceased to act as an executive director of the Company with effect from 30 July 2021.

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion other than the allotment and issue of the Consideration Shares, there will be no change to the control of the Company.

INFORMATION OF THE VENDORS AND CHUANG'S CONSORTIUM

Energy Hero Limited is incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of Chuang's Consortium. Its principal activity is investment holding.

Fanus Limited is incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of Chuang's Consortium. Its principal activity is investment holding.

LETTER FROM THE BOARD

Chuang's Consortium is incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 367).

The Chuang's Consortium Group is principally engaged in property development, investment and trading, hotel operation and management, development and operation of cemetery, manufacturing, sales and trading of goods and merchandises, securities investment and trading and money lending business.

As at the Latest Practicable Date, the Chuang's Consortium Group held approximately 60.71% of the total issued share capital of the Company.

INFORMATION OF THE PURCHASER AND THE COMPANY

Chuang's China Realty Limited is incorporated in Bermuda with limited liability and is a direct wholly-owned subsidiary of the Company. Its principal activity is investment holding.

The Company is incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 298). The Company is an indirect non-wholly-owned subsidiary of, and owned as to approximately 60.71% by, the Chuang's Consortium Group as at the Latest Practicable Date.

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.

INFORMATION OF THE TARGET COMPANIES, PROJECT-HK AND PROJECT-KOWLOON

Central Treasure and Project-HK

Central Treasure is a company incorporated in the British Virgin Islands with limited liability and is directly wholly-owned by Vendor 1. The Central Treasure Group is principally engaged in property investment and development and its principal asset is Project-HK, being the property development project located at Nos. 16–20 Gage Street in Central. The Chuang's Consortium Group has kicked off the acquisition of the individual units of Nos. 16–20 Gage Street on a piecemeal basis through private treaties with separate sellers over a period of time. With years of effort, the Chuang's Consortium Group has finally acquired full ownership of No. 20 Gage Street, and upto about 94.4% and 87.5% ownership of No. 16 and No. 18 Gage Street respectively through private treaties in 2019. With the application for the compulsory acquisition of the remaining 3 units of Nos. 16–18 Gage Street in March 2019, which was approved by the Lands Tribunal of Hong Kong in May 2020, the auction was carried out in mid-July 2020. The compulsory acquisition was subsequently completed in August 2020. The Chuang's Consortium Group has therefore unified the ownership of Nos. 16–20 Gage Street and successfully consolidated this project. The total acquisition cost incurred by the Chuang's Consortium Group (excluding the stamp duty refundable of about HK\$36.9 million) is about HK\$560.4 million.

LETTER FROM THE BOARD

Project-HK has a total site area of 3,591 sq. ft., upon which two 6-storey buildings were erected. Demolition works of these two buildings have commenced and are expected to be completed in the third quarter of 2021. The redevelopment scheme and building plans for Project-HK have been approved by the Buildings Department of Hong Kong. It is currently planned that a residential/commercial building with GFA of about 35,396 sq. ft. will be developed with reference to the latest building plan. If the Purchaser so determines after Completion, foundation work will commence right away.

Set out below is the financial summary of the Central Treasure Group after adjustments for intra-group transactions with the Chuang's Consortium Group:

	For the financial year ended	
	31 March	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6,499	1,667
Loss before taxation	(744)	(2,419)
Loss after taxation	(744)	(2,419)

The table below sets forth the reconciliation of the loss and total comprehensive loss of the Central Treasure Group for the financial year ended 31 March 2020 and 2021 as set out in Appendix IIA to this circular to the loss before/after taxation of the Central Treasure Group after adjustments for intra-group transactions with the Chuang's Consortium Group for the financial year ended 31 March 2020 and 2021 as disclosed above.

	For the financial year ended	
	31 March	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss and total comprehensive loss as set out in Appendix IIA	(26,220)	(20,498)
Adjusted for intra-group transactions (<i>note</i>):		
Corporate costs charged by an intermediate holding company	11,081	7,960
Interest expenses on loans from a fellow subsidiary	14,395	10,119
Loss before/after taxation after adjustments for intra-group transactions as disclosed above	(744)	(2,419)

Note: These intra-group transactions with the Chuang's Consortium Group (excluding the Group) would not be continued after Completion.

The consolidated net asset value of the Central Treasure Group (not taking into account the shareholder's loan and other amounts due to the Chuang's Consortium Group with the aggregate amount of approximately HK\$585.4 million, and excluding the stamp duty

LETTER FROM THE BOARD

refundable of approximately HK\$36.9 million) as at 31 March 2021 was approximately HK\$392.8 million. The aggregate book value of bank borrowings of the Central Treasure Group was approximately HK\$170.7 million as at 31 March 2021.

As at 31 March 2021, Project-HK was stated at cost of about HK\$565.0 million in the consolidated financial statements of the Central Treasure Group. The market valuation as at 31 May 2021 as appraised by Knight Frank, an independent valuer appointed by the Company, based on market approach was HK\$585 million for Project-HK, representing a premium of about 1.0% to the Agreed Property Valuation. Further details on the valuation of Project-HK are set out in Appendix V to this circular.

Easy Success and Project-Kowloon

Easy Success is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by Vendor 2. Easy Success is principally engaged in property investment and its principal asset is Project-Kowloon, named as Posco Building. Project-Kowloon was acquired by the Chuang's Consortium Group in July 2017 with total cost of about HK\$330.0 million.

Project-Kowloon is an industrial/office building located near the Cheung Sha Wan Mass Transit Railway Station with a convenient transportation network. It is located within 1.5 km to the Nam Cheong's landmark shopping mall known as the V-Walk. It has a site area of about 3,920 sq. ft. upon which a 13-storey building was erected providing a total GFA of about 47,258 sq. ft.. Project-Kowloon is currently about 90% leased to independent third parties, with the longest tenure expiring in February 2024. All of the tenancy agreements contain a break clause enabling Easy Success as the landlord to serve a 3-month notice to terminate these tenancies in the event of redevelopment of the property by Easy Success. Building plans to redevelop Project-Kowloon into a residential/commercial property with a total GFA of about 35,280 sq. ft. have been approved by the Buildings Department of Hong Kong.

Set out below is the financial summary of Easy Success after adjustments for intra-group transactions with the Chuang's Consortium Group:

	For the financial year ended	
	31 March	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues	8,171	8,675
Loss before taxation (<i>note</i>)	(23,542)	(5,104)
Loss after taxation (<i>note</i>)	(23,542)	(5,104)

Note: These amounts included the fair value loss on revaluation of Project-Kowloon of HK\$20 million and HK\$4 million for the financial year ended 31 March 2020 and 2021 respectively.

LETTER FROM THE BOARD

The table below sets forth the reconciliation of the loss and total comprehensive loss of Easy Success for the financial year ended 31 March 2020 and 2021 as set out in Appendix IIB to this circular to the loss before/after taxation of Easy Success after adjustments for intra-group transactions with the Chuang's Consortium Group for the financial year ended 31 March 2020 and 2021 as disclosed above.

	For the financial year ended	
	31 March	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss and total comprehensive loss as set out in Appendix IIB	(36,256)	(15,595)
Adjusted for intra-group transactions (<i>note</i>):		
Corporate costs charged by an intermediate holding company	10,133	8,860
Interest expenses on loan from a fellow subsidiary	2,581	1,631
Loss before/after taxation after adjustments for intra-group transactions as disclosed above	(23,542)	(5,104)

Note: These intra-group transactions with the Chuang's Consortium Group (excluding the Group) would not be continued after Completion.

The net asset value of Easy Success (not taking into account the shareholder's loan and other amounts due to the Chuang's Consortium Group with the aggregate amount of approximately HK\$129.7 million) as at 31 March 2021 was approximately HK\$174.2 million. The book value of bank borrowings of Easy Success was approximately HK\$251.8 million as at 31 March 2021.

As at 31 March 2021, Project-Kowloon was stated at fair value of HK\$426.0 million in the financial statements of Easy Success. The market valuation as at 31 May 2021 as appraised by Knight Frank, an independent valuer appointed by the Company, based on market approach was HK\$435 million for Project-Kowloon, representing a premium of about 2.1% to the Agreed Property Valuation. Further details on the valuation of Project-Kowloon are set out in Appendix V to this circular.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION

Property development is one of the business focuses of the Group. In early years, the Group's land bank were mainly in the PRC. Since 2015, the Group has commenced on property development project in Hong Kong. The Esplanade located in Tuen Mun was the first project developed by the Group in Hong Kong, with about 117,089 sq. ft. for residential use and about 25,813 sq. ft. for commercial use. Aggregate sales amount of about HK\$1,647.5 million has been recognized as revenue for the year ended 31 March 2021, generating gross profit of about HK\$609.1 million that represented a gross profit margin of about 37%. The two-storey commercial podium of The Esplanade is held by the Group for rental purpose. The Group has

LETTER FROM THE BOARD

actively participated in various means for land bank replenishment in Hong Kong, including public tender and private treaty. Under the intensely competitive market in Hong Kong, and as limited by the scalability and financial resources of the Group, it was until 2019 when the property site in Ap Lei Chau, having site area of about 4,320 sq. ft. and developable GFA of about 40,000 sq. ft., was acquired by the Group. Upon vacant possession of the property, demolition works commenced and were completed in March 2021. Foundation work is currently in progress.

As the Ap Lei Chau project is currently the sole development project in Hong Kong for the Group, it is keen to replenish its land bank such that its future business income stream from property development can be sustained. In past few months, the Group has involved in various public tender projects of the Urban Renewal Authority but was unsuccessful. The Board considers that the Proposed Transaction is in line with the aforesaid business strategy and the principal business of the Group and represents an attractive opportunity for the Group to replenish its portfolio for the property development land bank in Hong Kong by acquiring a high quality portfolio of assets, being Project-HK and Project-Kowloon, which is located in a prime location at Central and a convenient location near the Cheung Sha Wan Mass Transit Railway Station, respectively. The Proposed Transaction would also allow the Group to further expand its property development portfolio without the need to go through a competitive auction process.

The Proposed Transaction would also involve lower execution risk as the redevelopment schemes and building plans for both Project-HK and Project-Kowloon have been approved by Buildings Department of Hong Kong. Furthermore, Project-Kowloon is currently leased to various tenants providing recurring rental income to the Group before it proceeds on implementing the redevelopment plan by serving three months termination notice to all tenants. Therefore, the Group maintains flexibility in terms of the timing of carrying out such redevelopment (if any) and, meanwhile, continues to earn rental income from Project-Kowloon.

The Group would satisfy the Consideration for the Proposed Transaction by issuing the Consideration Shares instead of deploying cash resources, thereby saving cash resources for financing its general working capital and allowing it to continue to seek land bank opportunities.

In determining the proposed settlement of the Consideration by issue of the Consideration Shares, the Board has considered and evaluated alternative settlement methods. In particular, the Board considers that settling the Consideration by cash and/or by bank borrowings would reduce the Group's cash resources and/or increase its debt level which in turn will hinder its flexibility and ability in replenishing its land bank when opportunity arises. The Board has also considered other equity fund raising options by way of shares placement or rights issue but is of the view that such fund raising alternatives are less favourable than the proposed settlement method of issuing the Consideration Shares given that the issue price for both shares placement and rights issue are usually at a discount to the prevailing trading price of the Shares whereas the issue price of the Consideration Shares is at a considerable premium to the current market price of the Shares. While a rights issue will enable participating shareholders to maintain its

LETTER FROM THE BOARD

shareholding interests and therefore avoid dilution, the Board considers that it is not preferable to conduct a cash call exercise to the existing Shareholders under the current unfavourable economic conditions.

Having taken into account the above factors and in particular the fact that the Proposed Transaction significantly enhances the portfolio of property land bank for the Group and at the same time preserving cash resources for further business opportunities and working capital, the Directors (including the members of the Independent Board Committee) consider that the Proposed Transaction is in line with the business strategies of the Group and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION TO THE GROUP

Upon Completion, the Central Treasure Group and Easy Success will become indirect wholly-owned subsidiaries of the Company, and their assets, liabilities and results will be consolidated into the financial statements of the Group.

Earnings

Upon Completion, Easy Success will contribute rental income to the Group before the commencement of the redevelopment of Project-Kowloon, and such rental income will enhance the revenue stream of the Group accordingly. Based on the Agreed Property Valuation for Project-HK of HK\$579 million and that for Project-Kowloon of HK\$426 million, and the market valuation as at 31 May 2021 as appraised by Knight Frank of HK\$585 million for Project-HK and HK\$435 million for Project-Kowloon, it is expected that the completion of the Proposed Transaction will generate a net gain of approximately HK\$7.7 million to the Group (including the negative goodwill which represents the aggregate premium of the market valuation obtained by the Group of Project-HK and Project-Kowloon to the Agreed Property Valuation, and net of the related deferred tax liabilities) after deducting expenses in relation to the Proposed Transaction. However, the exact amount can only be determined at Completion.

Furthermore, subject to the closing price per Share as quoted on the Stock Exchange on the date after the fulfilment or waiver (if applicable) of the conditions precedent under the Sale and Purchase Agreement (“**Completion Share Price**”), the Group would also record potential negative goodwill or goodwill equivalent to the difference between the Completion Share Price and the issue price of HK\$0.55 per Consideration Share multiplied by the number of Consideration Shares issued. When the Completion Share Price is lower than the issue price of HK\$0.55, a negative goodwill would be recognized in the consolidated income statement of the Group. When the Completion Share Price is higher than the issue price of HK\$0.55, a goodwill would be recognized in the consolidated balance sheet of the Group initially, and is subject to impairment assessment. Any impairment of goodwill would be recognized in the consolidated income statement of the Group. The actual amount of such negative goodwill or goodwill can only be determined when the Proposed Transaction becomes unconditional.

LETTER FROM THE BOARD

Assets and liabilities

According to the annual report of the Company for the year ended 31 March 2021, the audited consolidated total assets and total liabilities of the Group as at 31 March 2021 were approximately HK\$7,305.3 million and HK\$2,762.0 million, respectively. Based on the “Unaudited pro forma financial information of the Enlarged Group” as set out in Appendix IV to this circular, and taken into account the basis and assumptions in preparing such unaudited pro forma financial information which had considered the effect of the Proposed Conditional Chuang’s China Special Cash Distribution, but did not include the effect of (i) the disposal of the subsidiaries that held the property project in Panyu, the PRC which was completed on 14 May 2021; and (ii) the goodwill that might be recognized in the consolidated balance sheet (arising when the Completion Share Price is higher than the issue price of HK\$0.55, with no impairment) as mentioned above, assuming Completion had taken place on 31 March 2021, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group as at 31 March 2021 would be approximately HK\$8,115.4 million and HK\$3,192.0 million respectively on a pro forma basis. Accordingly, the unaudited pro forma consolidated net assets of the Enlarged Group as at 31 March 2021 would be increased by approximately HK\$380.1 million to approximately HK\$4,923.4 million on a pro forma basis, which was mainly resulted from the consolidation of the net assets of the Central Treasure Group and Easy Success and the payment of the Proposed Conditional Chuang’s China Special Cash Distribution. However, the exact amount can only be determined at Completion. Further details are set out in Appendix IV to this circular.

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 financial position of the Central Treasure Group and Easy Success upon Completion and the Completion Share Price, and is subject to audit.

PROPOSED CONDITIONAL CHUANG’S CHINA SPECIAL CASH DISTRIBUTION

As at 31 March 2021, the Group has cash and bank balances of approximately HK\$679.0 million, and bonds investments of approximately HK\$1,220.0 million whereas total bank borrowings are approximately HK\$1,816.3 million. In May 2021, upon completion of the disposal of the property project in Panyu District, Guangzhou, the PRC, the Group has additional cash of about HK\$1,471.9 million after payment of transaction tax. On a pro forma basis, the aggregate cash and bank balances net of bank borrowings is approximately HK\$334.6 million and bonds investments are approximately HK\$1,220.0 million.

The Board acknowledges that it is of importance not only to preserving cash resources for future business expansion but also enabling the share of profits with the Shareholders. In view of the fact that the Proposed Transaction is in substance acquiring two property development projects in Hong Kong with market value of about HK\$1,005 million, but without the need to settle the acquisition in cash, it allows flexibility for the Board to consider providing a return to the Shareholders by way of a special cash distribution.

LETTER FROM THE BOARD

Accordingly, the Board declares that conditional upon the Completion of the Proposed Transaction, the Company will distribute the Proposed Conditional Chuang's China Special Cash Distribution of 8.5 HK cents per Share to the Shareholders whose names appear on the register of members of the Company on the record date for determining the entitlement to such cash distribution. The total special cash distribution amounts to approximately HK\$200 million and based on the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the proposed special cash distribution of 8.5 HK cents per Share represents a substantial yield of about 18.1%. For avoidance of doubt, the Consideration Shares will not be entitled to the Proposed Conditional Chuang's China Special Cash Distribution.

Condition precedent

The payment of the Proposed Conditional Chuang's China Special Cash Distribution is conditional upon the Completion of the Proposed Transaction.

If the conditions precedent under the Sale and Purchase Agreement are not fulfilled (or waived) on or before the Long Stop Date, the Proposed Transaction will not proceed. In this case, the Company shall endeavour to participate in land bank acquisition in Hong Kong through other means such as public tenders by government or Urban Renewal Authority or private treaty transactions, all of which will require cash resources as means of settlement. As such, the Proposed Conditional Chuang's China Special Cash Distribution will therefore not be viable and will not be proceeded.

As at the Latest Practicable Date, the condition precedent for the payment of the Proposed Conditional Chuang's China Special Cash Distribution has not been fulfilled.

Closing of register, record date and payment date

The Board declares that conditional upon the Completion of the Proposed Transaction, the Company will distribute the Proposed Conditional Chuang's China Special Cash Distribution of 8.5 HK cents per Share on Tuesday, 5 October 2021 to the Shareholders whose names appear on the register of members of the Company on Monday, 27 September 2021. For determining the entitlement to the Proposed Conditional Chuang's China Special Cash Distribution, the register of members of the Company will be closed from Thursday, 23 September 2021 to Monday, 27 September 2021, both dates inclusive, during which period no transfer of Shares will be effected. In order to qualify for the Proposed Conditional Chuang's China Special Cash Distribution, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Progressive Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 21 September 2021.

Further announcement(s)

The Company will make further announcement(s) regarding further details of the Proposed Conditional Chuang's China Special Cash Distribution to the effect that:

LETTER FROM THE BOARD

- (i) if the Proposed Transaction and Specific Mandate is approved by the Independent Shareholders at the SGM on 14 September 2021, re-confirm the book close dates, the record date and payment date of the Proposed Conditional Chuang's China Special Cash Distribution as determined by the Board; or
- (ii) if the Proposed Transaction and Specific Mandate is not approved by the Independent Shareholders at the SGM on 14 September 2021, the Proposed Conditional Chuang's China Special Cash Distribution will not be proceeded.

The Proposed Conditional Chuang's China Special Cash Distribution may only become payable upon the Completion of the Proposed Transaction.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Chuang's Consortium is interested in approximately 60.71% of the issued share capital of the Company (through Profit Stability, a direct wholly-owned subsidiary of Chuang's Consortium).

As one or more applicable percentage ratios (as defined in the Listing Rules) regarding the Proposed Transaction are more than 25% but less than 100% for the Company, the Proposed Transaction constitutes a major transaction of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, by virtue of Chuang's Consortium's aforesaid equity interests in the Company, Chuang's Consortium is a connected person to the Company and accordingly, the Proposed Transaction also constitutes a non-exempt connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the SGM, any Shareholder with a material interest in the Proposed Transaction is required to abstain from voting on the resolution approving the same. As such, each of (i) Profit Stability, (ii) Ms. Candy Chuang, who is interested in the shares of Chuang's Consortium through her interests in EHL, and (iii) Mr. Lee, who is interested in approximately 4.98% of the issued share capital of Chuang's Consortium through the interest of his spouse, Madam Chuang Shau Har, and himself, and their respective associates is required to abstain from voting on the resolution approving the same at the SGM. As at the Latest Practicable Date, among these persons who are required to abstain from voting at the SGM, each of Profit Stability, Ms. Candy Chuang and Mr. Lee held approximately 60.71%, 0.05% and 0.04% of the issued share capital of the Company, respectively.

To the best of knowledge, information and belief of the Board, having made all reasonable enquiries, apart from Profit Stability, Ms. Candy Chuang and Mr. Lee, no other Shareholders are materially interested in the Proposed Transaction who are required to abstain from voting on the resolution to be proposed for approving the same at the SGM as aforesaid.

LETTER FROM THE BOARD

As (i) each of Mr. Albert Chuang Ka Pun, Miss Ann Li Mee Sum, Mr. Edwin Chuang Ka Fung and Mr. Geoffrey Chuang Ka Kam is an executive director of Chuang's Consortium, (ii) Mr. Neville Charles Kotewall is the spouse of Ms. Candy Chuang, who is interested in the shares of Chuang's Consortium through her interests in EHL, (iii) Mr. Abraham Shek Lai Him is an independent non-executive director of Chuang's Consortium, and (iv) Mr. Dominic Lai is a partner of the law firm advising the Group in the Proposed Transaction, each of them has abstained from voting on the board resolution(s) in the board meeting of the Company in relation to the Proposed Transaction. Save as disclosed above, no Director had a material interest in the Proposed Transaction and thus was required to abstain from voting on the board resolution(s) in the board meeting of the Company for considering and approving the Proposed Transaction.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Mr. Abraham Shek Lai Him is an independent non-executive director of both Chuang's Consortium and the Company. Accordingly, Mr. Abraham Shek Lai Him has been excluded from the Independent Board Committee.

Accordingly, the Independent Board Committee comprising Mr. Andrew Fan Chun Wah, Dr. Eddy Li Sau Hung and Dr. Ng Kit Chong, being independent non-executive directors of the Company, has been established to advise the Independent Shareholders in relation to the Proposed Transaction.

Halcyon Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Transaction.

THE SGM

Set out on pages SGM-1 to SGM-3 of this circular is a notice convening the SGM to be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 14 September 2021 at 10:00 a.m. at which ordinary resolution will be proposed for the purpose of considering, and, if thought fit, approving, among others, the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate, by the Independent Shareholders.

The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be Monday, 6 September 2021. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Progressive Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 6 September 2021.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend and vote at 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, located at

LETTER FROM THE BOARD

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. Voting on the proposed resolution at the SGM will be taken by poll.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 24 to 25 of this circular and the letter from the Independent Financial Adviser on pages 26 to 67 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the Proposed Transaction as well as the principal factors and reasons taken into consideration in arriving at their advice.

The Directors consider that the terms of the Proposed Transaction are fair and reasonable and on normal commercial terms, and the Proposed Transaction is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in 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)

20 August 2021

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE SALE SHARES AND
THE SALE LOANS INVOLVING ISSUE OF
THE CONSIDERATION SHARES**

We refer to the circular of Chuang's China Investments Limited to its shareholders dated 20 August 2021 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Proposed Transaction, being a connected transaction, pursuant to the terms and conditions of the Sale and Purchase Agreement, and to advise the Independent Shareholders as to whether, in our opinion, such terms are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Halcyon Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We would like to draw your attention to the letter from the Board set out on pages 6 to 23 of the Circular which contains, among other things, information on the Proposed Transaction and the letter from the Independent Financial Adviser set out on pages 26 to 67 of the Circular which contains its advice in respect of the Proposed Transaction. Your attention is also drawn to the additional information set out in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons underlying the Proposed Transaction as well as the advice of the Independent Financial Adviser, we consider the terms and conditions of the Sale and Purchase Agreement to be fair and reasonable, on normal commercial terms, and the entering into of the Sale and Purchase Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Proposed Transaction, the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Andrew Fan Chun Wah Eddy Li Sau Hung Ng Kit Chong
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.



HALCYON CAPITAL LIMITED
11TH FLOOR
8 WYNDHAM STREET
CENTRAL
HONG KONG

20 August 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE SALE SHARES AND
THE SALE LOANS
INVOLVING
ISSUE OF THE CONSIDERATION SHARES**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in a circular of the Company (the “**Circular**”) to the Shareholders dated 20 August 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to acquire and accept the assignment of, the Sale Shares (being the entire issued share capital of each of the Target Companies) and the Sale Loans at a consideration of not more than HK\$586.0 million. The Consideration will be satisfied entirely by the allotment and issue of Consideration Shares at HK\$0.55 each. The Sale Shares shall represent the entire issued share capital of each of the Target Companies, namely Central Treasure and Easy Success, and the Sale Loans shall represent the entire amount of the loan or indebtedness owing by each of the Central Treasure Group and Easy Success to the Chuang’s Consortium Group (excluding the Group, the Central Treasure Group and Easy Success) on the date of Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Central Treasure is a company incorporated in the British Virgin Islands with limited liability and is directly wholly-owned by Vendor 1. The Central Treasure Group is principally engaged in property investment and development and its principal asset is Project-HK, being the property development project located at Nos. 16–20 Gage Street in Central.

Easy Success is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by Vendor 2. Easy Success is principally engaged in property investment and its principal asset is Project-Kowloon, named as Posco Building located in No. 165 Un Chau Street, Kowloon.

Meanwhile, conditional upon the Completion, the Company will distribute the Proposed Conditional Chuang's China Special Cash Distribution of 8.5 HK cents per Share to the Shareholders whose names appear on the register of members of the Company on the record date for determining the entitlement to such cash distribution. For avoidance of doubt, the Consideration Shares will not be entitled to the Proposed Conditional Chuang's China Special Cash Distribution.

Since Chuang's Consortium was interested in approximately 60.71% of the issued share capital of the Company (through Profit Stability Investments Limited, a direct wholly-owned subsidiary of Chuang's Consortium) as at the Latest Practicable Date, Chuang's Consortium is a connected person of the Company pursuant to Rules 14A.07(1) of the Listing Rules. By virtue of the aforesaid relationship, the Proposed Transaction constitutes a connected transaction for the Company under Rule 14A.25 of the Listing Rules. Since one or more applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Transaction is more than 25% but all applicable percentage ratios are less than 100% under the Listing Rules, the Proposed Transaction also constitutes a major transaction of the Company.

The Independent Board Committee, comprising Mr. Andrew Fan Chun Wah, Dr. Eddy Li Sau Hung and Dr. Ng Kit Chong, being the independent non-executive Directors who are not also serving Chuang's Consortium as independent non-executive director, has been formed to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms, and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole and how the Independent Shareholders should vote at the SGM.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the Sale and Purchase Agreement is entered into on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and whether the terms thereof (including the allotment and issue of the Consideration Shares) are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) advise the Independent Shareholders on how to vote at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

There was no engagement between the Group and Halcyon Capital or between Chuang's Consortium and Halcyon Capital in the last two years from the date of this letter. Given our independent role and the normal professional fee we received, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information, financial information and the facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and continue to be so as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The management of the Group has confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analysis were based upon, among others, the information provided by the Group including the Sale and Purchase Agreement, the annual report of the Company for the year ended 31 March 2021 (the “**2021 Annual Report**”), the valuation report on Project-HK and Project-Kowloon (the “**Valuation Report**”), the accountant's reports of Central Treasure and Easy Success for the three years ended 31 March 2021 (the “**Central Treasure Accountants' Report**” and “**Easy Success Accountants' Report**”, respectively), the Circular, and certain published information from the public domain.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the entering into of the Sale and Purchase Agreement and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification or appraisal of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or the prospects of the Group, Chuang's Consortium, the Central Treasure Group, Easy Success, Project-HK, Project-Kowloon or any of their respective subsidiaries or associates. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy the shares or any other securities of the Company or Chuang's Consortium.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the Sale and Purchase Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Information on the Group

1.1 Principal business

The Company is an investment holding company, and its subsidiaries are 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.

During the year ended 31 March 2021, the Group has handed over the majority of the residential units to the end-buyers of The Esplanade in Tuen Mun (365 residential units out of all 371 residential units) and completed the disposal of an investment property in London, the United Kingdom. As at 31 March 2021, the Group had two property development projects located in Hong Kong, which included The Esplanade in Tuen Mun.

As further stated in the 2021 Annual Report, subsequent to 31 March 2021, the Group has also completed the disposal of the property project in Panyu, Guangzhou, the PRC.

As mentioned in the 2021 Annual Report, the Group will focus on property projects in Hong Kong and the PRC and apart from seeking new opportunities to replenish land bank for property development, the Group will also continue to identify suitable investments to expand its investment property portfolio in order to enhance steady and recurring rental income. The Group will 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 Group will continue to take actions to expand its sources of revenue, enhance its profitability, and maximize return for its shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial highlights

(i) Financial performance

Set out below is the summary of key financial information of the Group for the two years ended 31 March 2021 as extracted from the 2021 Annual Report:

	For the year ended 31 March	
	2021	2020
	<i>HK\$'mil</i>	<i>HK\$'mil</i>
	(audited)	(audited)
Revenues	1,780	177
Cost of sales	<u>(1,061)</u>	<u>(44)</u>
Gross profit	<u>719</u>	<u>133</u>
Profit/(loss) before tax	401	(160)
Taxation credit/(charge)	<u>14</u>	<u>(30)</u>
Profit/(loss) for the year	<u>415</u>	<u>(190)</u>

For the year ended 31 March 2021

For the year ended 31 March 2021, the Group recorded revenue of approximately HK\$1,779.7 million, as compared to approximately HK\$177.5 million in the corresponding period in 2020, and profit attributable to the Shareholders of approximately HK\$419.0 million, as compared to a loss of approximately HK\$192.4 million in the corresponding period in 2020. According to the 2021 Annual Report, the significant increase in revenue was principally attributable to the sale of development properties of approximately HK\$1,651.6 million, as compared to approximately HK\$42.4 million for the corresponding period in 2020, mainly due to the recognition of completed sales of The Esplanade, Tuen Mun in Hong Kong after the handover of completed properties to the end-buyers.

Gross profit of the Group increased significantly from approximately HK\$133.1 million for the year ended 31 March 2020 to approximately HK\$718.8 million for the year ended 31 March 2021 mainly as a result of increase in revenue.

The Group recorded a profit for the year of approximately HK\$415.4 million for the year ended 31 March 2021 as compared to a loss for the year of approximately HK\$190.0 million for the year ended 31 March 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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(ii) *Segmental revenue and net gain and profit*

Set out below is the analysis of segmental revenue and net profit or loss attributable to each segment of the Group for each of the two years ended 31 March 2021 as extracted from the 2021 Annual Report:

	For the year ended 31 March			
	2021		2020	
	<i>HK\$'mil</i>	<i>% of total</i>	<i>HK\$'mil</i>	<i>% of total</i>
<i>Segmental revenue</i>				
Property development, investment and trading	1,691	95.0	109	61.6
Cemetery	26	1.5	21	11.9
Sales of goods and merchandises	—	—	2	1.1
Securities investment and trading	63	3.5	45	25.4
Total	<u>1,780</u>	<u>100.0</u>	<u>177</u>	<u>100.0</u>

	For the year ended 31 March	
	2021	2020
	<i>HK\$'mil</i>	<i>HK\$'mil</i>
<i>Net profit/(loss) for the year attributable to each segment</i>		
Property development, investment and trading	353	(97)
Cemetery	0	5
Sales of goods and merchandises	(0)	0
Securities investment and trading	149	(26)
Corporate and others	(87)	(72)
Total	<u>415</u>	<u>(190)</u>

As stated in the 2021 Annual Report, the Group's revenue significantly increased by about 9 times to HK\$1,779.7 million (2020: HK\$177.5 million), and comprised the following:

- sales of development properties significantly increased by about 38 times to about HK\$1,651.6 million (2020: HK\$42.4 million) mainly due to the recognition of completed sales of The Esplanade, Tuen Mun in Hong Kong after the handover of completed properties to the end-buyers;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- rental and management fee income decreased by 39.7% to about HK\$39.9 million (2020: HK\$66.2 million), mainly due to the decrease in rental income recorded for the investment property in the UK as a result of the completion of the disposal of this property on 1 September 2020;
- revenues from securities investment and trading increased by 37.4% to about HK\$62.5 million (2020: HK\$45.5 million), as a result of the increase in the portfolio of bonds investments held by the Group comparing to that in the last corresponding year; and
- sales of cemetery assets in the PRC increased by 21.2% to about HK\$25.7 million (2020: HK\$21.2 million) mainly due to the general increase in sales.

The net profit of the Group for the year ended 31 March 2021 was mainly contributed by the property development, investment and trading segment and the securities investment and trading segment.

(iii) Financial position

According to the 2021 Annual Report, the Group recorded strong net current assets position of approximately HK\$2,828.8 million and net assets of approximately HK\$4,543.3 million as at 31 March 2021, which included cash and bank balances of approximately HK\$679.0 million, financial assets at fair value through profit or loss of approximately HK\$1,321.9 million and assets of disposal group classified as held for sale of approximately HK\$770.4 million. Nevertheless, the properties for sale decreased to approximately HK\$677.8 million from approximately HK\$2,162.2 million in the beginning of the year.

Further, as stated in the Letter from the Board, in May 2021, upon completion of the disposal of the property project in Panyu District, Guangzhou, the PRC, the Group had additional cash of about HK\$1,471.9 million after payment of transaction tax. On a proforma basis, the aggregate cash and bank balances net of bank borrowings was approximately HK\$334.6 million and bonds investments are approximately HK\$1,220.0 million.

Given that the Group has handed over the majority of the residential units of The Esplanade in Tuen Mun during the year ended 31 March 2021, and as stated above, other than The Esplanade in Tuen Mun, the Group only has one property development project remaining in Hong Kong which was situated in Ap Lei Chau. According to the 2021 Annual Report, the Group has obtained vacant possession of the whole property of the Ap Lei Chau project during the year ended 31 March 2021, with hoarding and demolition works been completed in March 2021. Foundation work is currently in progress, and it is expected to be completed by the end of the financial year ending 31 March 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information on the Target Companies

2.1 Central Treasure

(i) Principal business

Central Treasure is a company incorporated in the British Virgin Islands with limited liability and is direct wholly-owned by Vendor 1, and therefore a wholly-owned subsidiary of Chuang's Consortium. The Central Treasure Group is principally engaged in property investment and development and its principal asset is Project-HK, being the property development project located at Nos. 16–20 Gage Street in Central.

As set out in the Letter from the Board and the Valuation Report, Project-HK has a total site area of 3,591 sq. ft., upon which two 6-storey buildings were originally erected. Demolition works of these two buildings have commenced and are expected to be completed in the third quarter of 2021. The redevelopment scheme and building plans for Project-HK have been approved by the Buildings Department of Hong Kong. As stated in the Valuation Report, the property is planned to be redeveloped into a high-rise composite building with a total gross floor area of approximately 34,937 sq. ft.. Based on the Valuation Report, the market value of the Project-HK was HK\$585.0 million as at 31 May 2021.

(ii) Financial highlights

Set out below is the summary of key audited consolidated financial information of the Central Treasure Group for the three years ended 31 March 2021 as extracted from the Central Treasure Accountants' Report as set out in Appendix IIA to the Circular:

	For the year ended 31 March		
	2021	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	1,667	6,499	7,526
Cost of sales	<u>(233)</u>	<u>(579)</u>	<u>(453)</u>
Gross profit	<u>1,434</u>	<u>5,920</u>	<u>7,073</u>
Loss before taxation	(20,498)	(26,220)	(25,910)
Taxation	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the year	<u><u>(20,498)</u></u>	<u><u>(26,220)</u></u>	<u><u>(25,910)</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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As set out in the Central Treasure Accountants' Report in Appendix IIA to the Circular and as further advised by the Company, the results of Central Treasure had taken into account of, among other things, certain intra-group charges of Chuang's Consortium Group (the "**Chuang's Consortium Intra-Group Charges**") which are not expected to recur for the Group on a consolidated basis subsequent to the Completion. Set out below is the reconciliation of the adjusted profit or loss of the Central Treasure Group after adjusting for the Chuang's Consortium Intra-Group Charges:

	For the year ended 31 March		
	2021	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Loss for the year	(20,498)	(26,220)	(25,910)
Adjusting for:			
Chuang's Consortium			
Intra-Group Charges	18,079	25,476	26,581
Adjusted (loss)/profit for the year	(2,419)	(744)	671

Year ended 31 March 2021

Revenue of the Central Treasure Group decreased from approximately HK\$6.5 million for the year ended 31 March 2020 to approximately HK\$1.7 million for the year ended 31 March 2021, as mainly driven by the decrease in units leased in Project-HK which resulted in lower rental income recorded for the year ended 31 March 2021. During the year ended 31 March 2021, the Central Treasure Group also recorded administrative and other operating expenses of approximately HK\$9.1 million, as compared to approximately HK\$11.5 million for the year ended 31 March 2020, and finance costs of approximately HK\$12.8 million, as compared to approximately HK\$20.6 million for the year ended 31 March 2020. Amongst the expenses and finance costs incurred during the year, approximately HK\$18.1 million was attributable to Chuang's Consortium Intra-Group Charges, as compared to approximately HK\$25.5 million for the year ended 31 March 2020. Loss after taxation decreased from approximately HK\$26.2 million for the year ended 31 March 2020 to approximately HK\$20.5 million for the year ended 31 March 2021. The decrease in loss was mainly attributable to the decrease in finance costs from approximately HK\$20.6 million for the year ended 31 March 2020 to approximately HK\$12.8 million for the year ended 31 March 2021 principally due to the decrease in effective interest rate attributable to the bank loan and loan from a fellow subsidiary, slightly offset by the decrease in revenues as explained above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Year ended 31 March 2020

Revenue of the Central Treasure Group slightly decreased from approximately HK\$7.5 million for the year ended 31 March 2019 to approximately HK\$6.5 million for the year ended 31 March 2020. The decrease is mainly attributable to the decrease in units leased in Project-HK which resulted in lower rental income recorded for the year ended 31 March 2020. During the year ended 31 March 2020, the Central Treasure Group also recorded administrative and other operating expenses of approximately HK\$11.5 million, as compared to approximately HK\$9.1 million for the year ended 31 March 2019, and finance costs of approximately HK\$20.6 million, as compared to approximately HK\$23.9 million for the year ended 31 March 2019. Amongst the expenses and finance costs incurred during the year, approximately HK\$25.5 million was attributable to Chuang's Consortium Intra-Group Charges, as compared to approximately HK\$26.6 million for the year ended 31 March 2019. Loss after taxation for the year ended 31 March 2020 was approximately HK\$26.2 million, representing a slight increase from approximately HK\$25.9 million for the year ended 31 March 2019.

Net assets value

Set out below is the breakdown of audited consolidated net assets value of the Central Treasure Group as at 31 March 2021 as extracted from Appendix IIA to the Circular:

	As at 31 March 2021 <i>HK\$'000</i>
Non-current assets	—
Current assets	602,010
Current liabilities	411,885
Non-current liabilities	345,773

As at 31 March 2021, the Central Treasure Group recorded audited consolidated net liabilities of approximately HK\$155.6 million, of which the carrying value of the Project-HK amounted to approximately HK\$565.0 million, the amount due to and loan from the Chuang's Consortium Group (excluding the Group, the Central Treasure Group and Easy Success) (i.e. the Sale Loan (Central Treasure)) amounted to approximately HK\$585.4 million and the bank loans amounted to approximately HK\$170.7 million.

Further, according to the Valuation Report as set out in Appendix V to the Circular, the market value of the Project-HK as at 31 May 2021 was HK\$585 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 *Easy Success*

(i) *Principal business*

Easy Success is a company incorporated in Hong Kong with limited liability and is direct wholly-owned by Vendor 2. Easy Success is principally engaged in property investment and its principal asset is Project-Kowloon, named as Posco Building.

As set out in the Letter from the Board and the Valuation Report, Project-Kowloon is an industrial/office building located near the Cheung Sha Wan Mass Transit Railway Station (“**MTR Station**”) with a convenient transportation network. It is located within 1.5 km to the Nam Cheong’s landmark shopping mall known as the V-Walk. It has a site area of about 3,920 sq. ft. upon which a 13-storey building was erected providing a total GFA of about 47,258 sq. ft.. Project-Kowloon is currently about 90% leased to independent third parties, with the longest tenure expiring in February 2024. All of the tenancy agreements contain a break clause enabling Easy Success as the landlord to serve a 3-month notice to terminate these tenancies in the event of redevelopment of the property by Easy Success. Building plans to redevelop Project-Kowloon into a residential/commercial property with a total GFA of about 35,280 sq. ft. have been approved by the Buildings Department of Hong Kong. Based on the Valuation Report, the market value of the Project-Kowloon was HK\$435.0 million as at 31 May 2021.

(ii) *Financial highlights*

Set out below is the summary of key audited consolidated financial information of the Easy Success for the three years ended 31 March 2021 as extracted from the Easy Success Accountants’ Report as set out in Appendix IIB to the Circular:

	For the year ended 31 March		
	2021	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(audited)	(audited)	(audited)
Revenue	8,675	8,171	7,498
Cost of sales	<u>(2,291)</u>	<u>(3,268)</u>	<u>(1,773)</u>
Gross profit	<u>6,384</u>	<u>4,903</u>	<u>5,725</u>
(Loss)/Profit before taxation	(15,595)	(36,256)	93,372
Taxation	<u>—</u>	<u>—</u>	<u>—</u>
(Loss)/Profit for the year	<u><u>(15,595)</u></u>	<u><u>(36,256)</u></u>	<u><u>93,372</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Easy Success Accountants' Report in Appendix IIB to the Circular and as further advised by the Company, the results of Easy Success had taken into account of, among other things, the changes in fair value of Project-Kowloon and the Chuang's Consortium Intra-Group Charges. Set out below is the reconciliation of the adjusted profit or loss of the Easy Success after adjusting for the changes in fair value of Project-Kowloon and the Chuang's Consortium Intra-Group Charges:

	For the year ended 31 March		
	2021	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
(Loss)/Profit for the year	(15,595)	(36,256)	93,372
Adjusting for:			
Loss/(gain) on fair value of an investment property	4,000	20,000	(108,000)
Chuang's Consortium Intra-Group Charges	<u>10,491</u>	<u>12,714</u>	<u>12,188</u>
Adjusted loss for the year	<u>(1,104)</u>	<u>(3,542)</u>	<u>(2,440)</u>

As stated above, Project-Kowloon is currently about 90% leased to independent third parties, with the longest tenure expiring in February 2024. As advised by the management of the Company, the revenue of Easy Success during the three years ended 31 March 2021 mainly represented the rental income and management fee of Project-Kowloon.

Year ended 31 March 2021

Easy Success recorded revenue of approximately HK\$8.7 million for the year ended 31 March 2021, increased from approximately HK\$8.2 million for the year ended 31 March 2020. As advised by the Company, the increase in revenue was principally attributable to the increase in both occupancy and rental income. During the year ended 31 March 2021, Easy Success also recorded administrative and other operating expenses of approximately HK\$10.9 million, as compared to approximately HK\$10.2 million for the year ended 31 March 2020, and finance costs of approximately HK\$5.9 million, as compared to approximately HK\$10.9 million for the year ended 31 March 2020. Amongst the expenses and finance costs incurred during the year, approximately HK\$10.5 million was attributable to Chuang's Consortium Intra-Group Charges, as compared to approximately HK\$12.7 million for the year ended 31 March 2020. On the other hand, Easy Success also recorded other net loss of approximately HK\$1.1 million principally attributable to exchange loss and fair value loss of an investment property of approximately HK\$4.0 million for the year

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ended 31 March 2021, as compared to an immaterial amount of other income and fair value loss of an investment property of HK\$20.0 million for the year ended 31 March 2020.

As a result of the aforesaid, Easy Success recorded improvement in its results and recorded loss of approximately HK\$15.6 million for the year ended 31 March 2021 as compared to a loss of approximately HK\$36.3 million for the year ended 31 March 2020.

Year ended 31 March 2020

Easy Success recorded revenue of approximately HK\$8.2 million for the year ended 31 March 2020, increased from approximately HK\$7.5 million for the year ended 31 March 2019. As advised by the Company, the increase in revenue was principally attributable to the increase in occupancy rate and average rental. During the year ended 31 March 2020, Easy Success also recorded administrative and other operating expenses of approximately HK\$10.2 million, as compared to approximately HK\$11.0 million for the year ended 31 March 2019, and finance costs of approximately HK\$10.9 million, as compared to approximately HK\$9.4 million for the year ended 31 March 2019. Amongst the expenses and finance costs incurred during the year, approximately HK\$12.7 million was attributable to Chuang's Consortium Intra-Group Charges, as compared to approximately HK\$12.2 million for the year ended 31 March 2019. On the other hand, Easy Success also recorded fair value loss of an investment property of approximately HK\$20.0 million for the year ended 31 March 2020, as compared to a fair value gain of an investment property of HK\$108.0 million for the year ended 31 March 2019.

As a result of the aforesaid, Easy Success recorded loss of approximately HK\$36.3 million for the year ended 31 March 2020 as compared to a profit of approximately HK\$93.4 million for the year ended 31 March 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net assets value

Set out below is the breakdown of audited consolidated net assets value of the Easy Success as at 31 March 2021 as extracted from Appendix IIB to the Circular:

	As at 31 March 2021 <i>HK\$'000</i>
Non-current assets	426,000
Current assets	2,544
Current liabilities	82,061
Non-current liabilities	302,062

As at 31 March 2021, the Easy Success had audited consolidated net assets of approximately HK\$44.4 million, of which the carrying value of the Project-Kowloon amounted to approximately HK\$426.0 million, the aggregate of amount due to and loan from the Chuang's Consortium Group (excluding the Group, the Central Treasure Group and Easy Success) (i.e. the Sale Loan (Easy Success)) amounted to approximately HK\$129.7 million and bank loans amounted to approximately HK\$251.8 million.

Meanwhile, according to the Valuation Report as set out in Appendix V to the Circular, the market value of the Project-Kowloon as at 31 May 2021 was HK\$435 million.

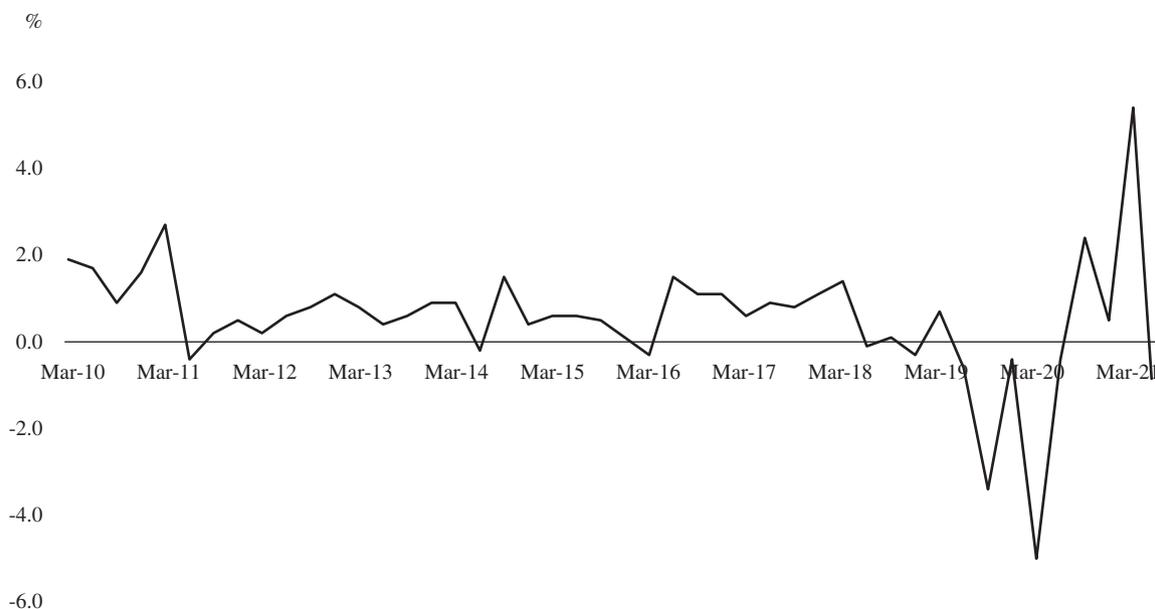
3. General industry outlook on the property market in Hong Kong

As Project-Kowloon is an industrial/office building with building plans to redevelop into a residential/commercial property and demolition works of two buildings erected on Project-HK have commenced and the building plans of Project-HK have been approved to redevelop into a residential/commercial building, in order to assess the fairness and reasonableness of the Proposed Transaction, we have also reviewed (i) the economic background of Hong Kong; (ii) the rental index and vacancy rates of private domestic units in Hong Kong; and (iii) the average price and projected supply of private domestic units in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.1 Economic background in Hong Kong

Set out below is the seasonally adjusted quarter-to-quarter change of real GDP since 2010:



Source: Census and Statistics Department

As shown above, the quarter-to-quarter change in real GDP from 2010 to mid-2019 ranged from 2.7% to -0.6%. The quarter-to-quarter change in real GDP recorded a notable decrease since mid-2019 and recorded consecutive negative quarter-to-quarter change in real GDP from the second quarter of 2019 to the second quarter of 2020. Since the third quarter of 2020, the real GDP experienced positive quarter-to-quarter changes for three consecutive quarters and recorded a positive quarter-to-quarter growth of 5.5% in the first quarter of 2021, while after which the real GDP recorded a slight quarter-to-quarter drop of approximately 0.9% for the second quarter of 2021.

According to the Half-yearly Economic Report 2021 (the “**1H2021 Economic Report**”) released by the Government of Hong Kong, in the second quarter of 2021, real GDP grew notably by 7.6% against a low base of comparison a year earlier (revised from the advance estimate of 7.5%), having expanded by 8.0% in the preceding quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP fell modestly by 0.9% in the second quarter (revised from the advance estimate of -1.0%), after a very strong growth of 5.5% in the preceding quarter when exports of goods showed an exceptionally rapid expansion. However, the economic recovery was uneven.

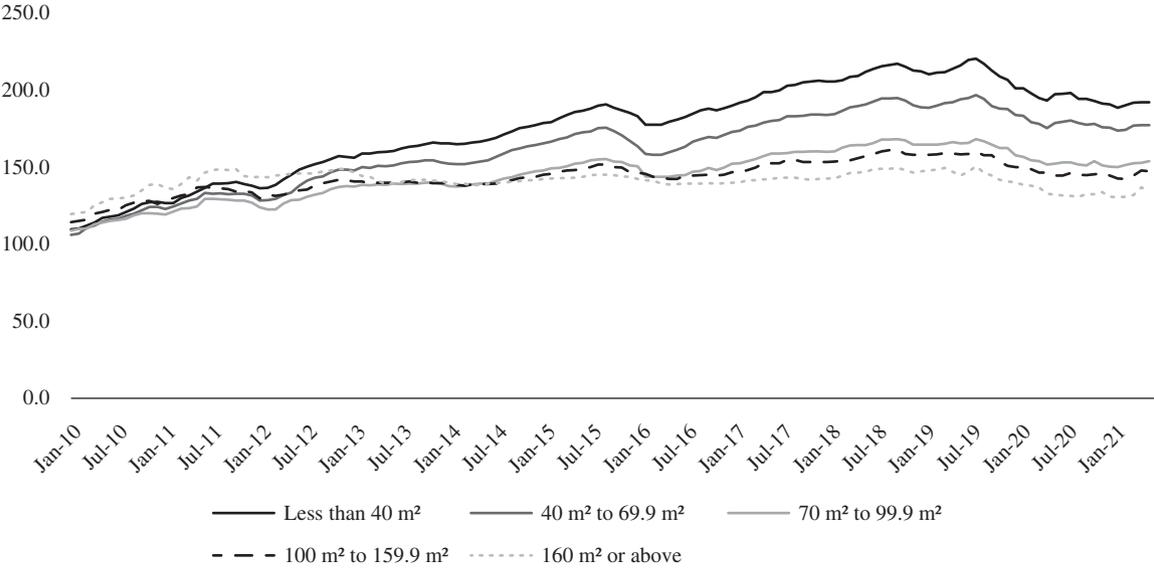
Further, according to the 1H2021 Economic Report, the residential property market was buoyant in the second quarter, supported by the low interest rate environment, firm end-user demand and improving economic prospects. The number

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of residential property transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, increased notably by 21% over the preceding quarter or 29% over a year earlier to 22,000 in the second quarter, the highest since the second quarter of 2012. According to the Hong Kong’s Recent Economic Situation and Near-term Outlook prepared by the Office of the Government Economist, Financial Secretary’s Office dated 31 May 2021, considering that the pace of economic recovery is uneven and the pandemic will continue to pose uncertainty to the path of recovery, the government maintained the real GDP growth forecast for 2021 at a range of 3.5% to 5.5% as announced in the 2021–22 Budget. Yet, the actual outturn can hopefully be near the upper end of the range forecast if the local epidemic situation continues to improve.

3.2 Rental index and occupancy rate of private domestic units in Hong Kong

Set out below is the rental index of private domestic units in Hong Kong by month since 2010 and up to June 2021:



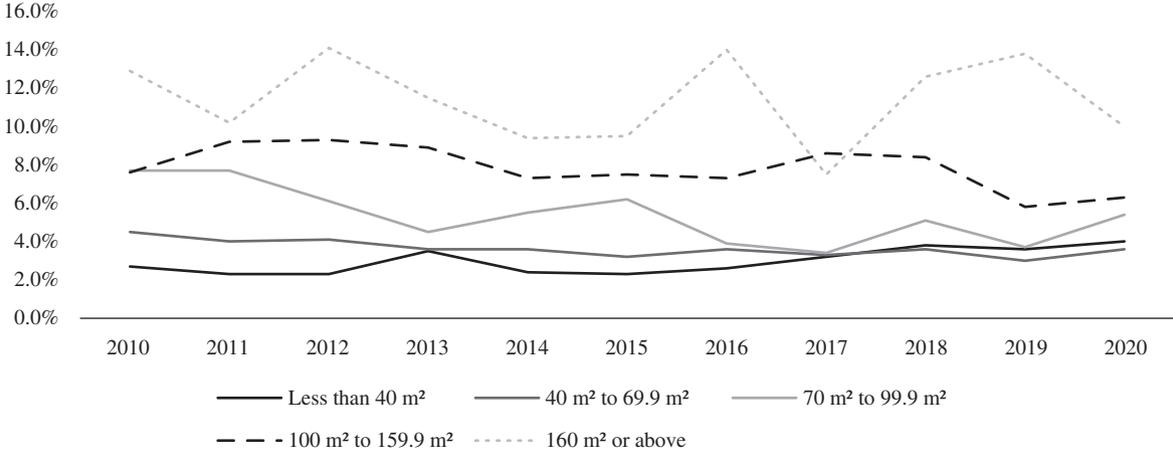
Note: According to the Rating and Valuation Department, The Government of Hong Kong, the figures for April 2021 to June 2021 are provisional figures.

Source: Rating and Valuation Department, The Government of Hong Kong

As shown in the chart above, the rental index experienced a generally increasing trend since 2010 until the second half of 2019 across all sizes of private domestic units, whilst we noted that private domestic units with less than 40 m² and 40 m² to 69.9 m² outperformed the market. Nevertheless, the rental index across all sizes of private domestic units experienced a decreasing trend since the second half of 2019 but a recovery trend is noted in the first half of 2021, which is consistent with the changes in real GDP during the period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the vacancy rate of private domestic units in Hong Kong since 2010 and up to 2020:



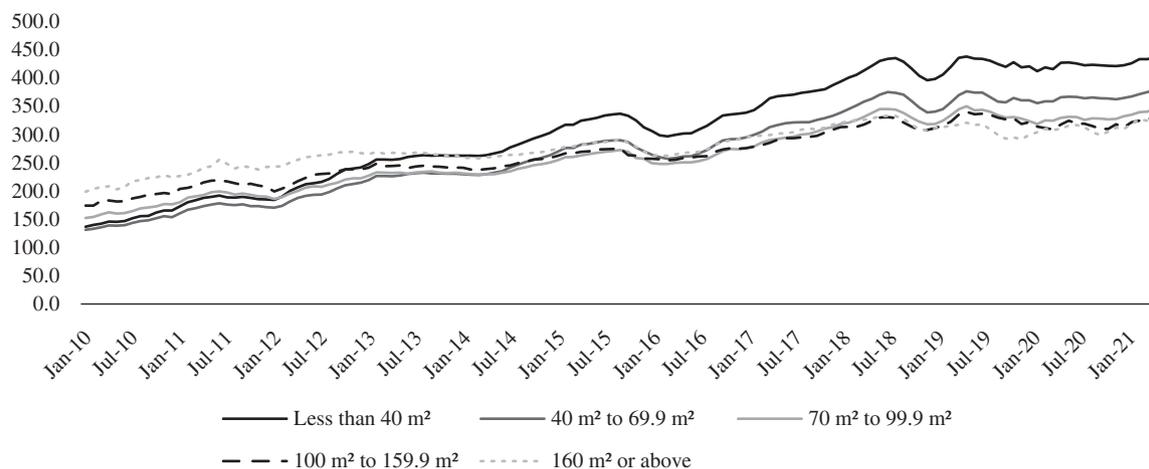
Source: Rating and Valuation Department, The Government of Hong Kong

As shown in the chart above, except for private domestic units with 160 m² or above, the vacancy rate of private domestic units in Hong Kong was relatively stable in recent years while the vacancy rate for smaller private domestic units was generally lower than that of larger private domestic units. The vacancy rate of private domestic units with less than 40 m² and 40 m² to 69.9 m² maintained rates below 5% since 2010.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.3 Average price and projected supply of private domestic units in Hong Kong

Set out below is the monthly price index of private domestic units in Hong Kong since January 2010 and up to June 2021:



Note: According to the Rating and Valuation Department, The Government of Hong Kong, the figures for April 2021 to June 2021 are provisional figures.

Source: Rating and Valuation Department, The Government of Hong Kong

As shown in the chart above, the price index of private domestic units has experienced a generally increasing trend since 2010. Unlike the rental index, there has not been a notable decrease in price index of private domestic units in the second half of 2019 and 2020 while the price index started to demonstrate a growth trend in the first half of 2021, which is consistent with the changes in real GDP in the first half of 2021.

Set out below is the table showing the stock of private domestic units in 2020 and forecast completions in 2021 to 2022:

	Less than 40 m ²	40 m ² to 69.9 m ²	70 m ² to 99.9 m ²	100 m ² to 159.9 m ²	160 m ² or above	Total
<i>Hong Kong Island</i>						
Stock in 2020	111,293	138,013	39,722	27,695	16,280	333,003
Forecast completion in 2021	864	447	149	260	335	2,055
Forecast completion in 2022	839	74	21	1	—	935
Subtotal	112,996	138,534	39,892	27,956	16,615	335,993
% of forecast completion in 2021 to 2022 to stock in 2020	1.5%	0.4%	0.4%	0.9%	2.1%	0.9%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Less than 40 m ²	40 m ² to 69.9 m ²	70 m ² to 99.9 m ²	100 m ² to 159.9 m ²	160 m ² or above	Total
<i>Kowloon</i>						
Stock in 2020	138,044	171,175	42,747	19,232	3,252	374,450
Forecast completion in 2021	2,692	2,705	582	81	41	6,101
Forecast completion in 2022	2,784	2,813	1,085	206	130	7,018
Subtotal	143,520	176,693	44,414	19,519	3,423	387,569
% of forecast completion in 2021 to 2022 to stock in 2020	4.0%	3.2%	3.9%	1.5%	5.3%	3.5%
<i>New Territories</i>						
Stock in 2020	138,256	282,368	67,500	22,032	8,239	518,395
Forecast completion in 2021	3,488	4,836	1,489	197	62	10,072
Forecast completion in 2022	5,053	4,915	1,433	535	95	12,031
Subtotal	146,797	292,119	70,422	22,764	8,396	540,498
% of forecast completion in 2021 to 2022 to stock in 2020	6.2%	3.5%	4.3%	3.3%	1.9%	4.3%

Source: Rating and Valuation Department, The Government of Hong Kong

For the table above, the stock of domestic private unit in 2020 in Hong Kong Island, Kowloon and the New Territories in 2020 was approximately 0.3 million, 0.4 million and 0.5 million, respectively, while the aggregate forecast completion in Hong Kong, Kowloon and the New Territories in 2021 to 2022 shall represent approximately 0.9%, 3.5% and 4.3%, respectively, of the stock in 2020. We noted that the forecast completion for Hong Kong Island in 2021 and 2022 is significantly lower than that in Kowloon and New Territories. Meanwhile, we also noted that the forecast completion of private domestic units are mainly relatively smaller units (less than 40 m² and 40 m² to 69.9 m²), which account for over 80% of the forecast completion, while the forecast completion of such smaller units in Hong Kong Island and Kowloon still represent less than 5% of the relevant stock in 2020.

From the above analyses, it is noted that (i) the real GDP of Hong Kong has demonstrated a recovery trend in the first half of 2021; (ii) the rental index of private domestic units has demonstrated a generally decreasing trend from mid-2019, while it showed recovery signs in the first half of 2021 which was consistent with the improvement in real GDP as mentioned above; (iii) the vacancy rate of private domestic units has maintained a relatively stable rate; and (iv) the forecast completion of private domestic units for 2021 and 2022 represented less than 5% of the stock in 2020. We therefore concur with the Company's view that there is currently no (a) sign of significant downward economic pressure which might adversely affect the rental index or price index for private domestic units or (b) significant increase in forecast supply of private domestic units which may in turn significantly affect the supply in the market.

4. Reasons for and the benefits of the Proposed Transaction

Replenishment of Company's land bank in Hong Kong

As stated in the Letter from the Board, property development is one of the business focuses of the Group. In early years, the Group's land bank was mainly in the PRC. Since 2015, the Group has commenced property development projects in Hong Kong. The Esplanade located in Tuen Mun was the first project developed by the Group in Hong Kong, with about 117,089 sq. ft. for residential use and about 25,813 sq. ft. for commercial use. Aggregate sales amount of about HK\$1,647.5 million has been recognized as revenue for the year ended 31 March 2021, generating gross profit of about HK\$609.1 million that represented a gross profit margin of about 37%. The two-storey commercial podium of The Esplanade is held by the Group for rental purpose. The Group has actively participated by various means for land bank replenishment in Hong Kong, including public tender and private treaty. Under the intensely competitive market in Hong Kong, and as limited by the scalability and financial resources of the Group, it was until 2019 when the property site in Ap Lei Chau, having site area of about 4,320 sq. ft. and developable GFA of about 40,000 sq. ft., was acquired by the Group. Upon vacant possession of the property, demolition works were commenced and completed in March 2021. Foundation work is currently in progress.

As the Ap Lei Chau project is currently the sole development project in Hong Kong for the Group, it is keen to replenish its land bank such that its future business income stream from property development in the region can be sustained. In the past few months, the Group has participated in various public tender projects of the Urban Renewal Authority but was unsuccessful. The Board considers that the Proposed Transaction is in line with the aforesaid business strategy and the principal business of the Company and represents an attractive opportunity for the Group to replenish its portfolio for the property development land bank in Hong Kong by acquiring a high quality portfolio of assets, being Project-HK and Project-Kowloon, which is located in a prime location at Central and a convenient location near the Cheung Sha Wan Mass Transit Railway Station, respectively. The Proposed Transaction would also allow the Group to further expand its property development portfolio without the need to go through a competitive auction process.

The redevelopment schemes and building plans for Project-HK and Project-Kowloon have been approved by the Buildings Department of Hong Kong. Furthermore, the building plans for Project-Kowloon has been approved and it is currently leased to various tenants providing recurring rental income to the Group before it proceeds to implementing the redevelopment plan by serving three months termination notice to all existing tenants. Therefore, the Group maintains flexibility in terms of the timing of carrying out such redevelopment, if so implemented and, meanwhile, continues to earn recurrent rental income from Project-Kowloon.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the 2021 Annual Report, property development, investment and trading segment was the largest revenue contributing segment of the Group which contributed approximately 61.6% and 95.0% of revenue of the Group for the year ended 31 March 2020 and 2021, respectively. In particular, the increase in sales of development properties for the year ended 31 March 2021 to approximately HK\$1,651.6 million was mainly due to the recognition of completed sales of The Esplanade, Tuen Mun in Hong Kong after the handover of completed properties to the end-buyers and the Group recorded net profit of approximately HK\$353 million from the property development, investment and trading segment for the year ended 31 March 2021. The net profit recorded by the Group for the year ended 31 March 2021 was the second highest net profit contribution as recorded by the Group among the five recent financial years. Given that the Group has handed over the majority of the residential units of The Esplanade in Tuen Mun during the year ended 31 March 2021, as stated above, the Ap Lei Chau project is currently the sole development project in Hong Kong for the Group. We concur with the Company's view that the Proposed Transaction is in line with the principal business of the Group and enables the Group to replenish its portfolio for the property development land bank in Hong Kong.

On the other hand, according to the Hong Kong Property Review 2021 (the “**2021 Property Report**”) published by the Rating and Valuation Department, The Government of the Hong Kong, only approximately 19% and 7% of the private domestic units completed in 2020 were located in Kowloon and Hong Kong, respectively; in 2021, only approximately 33% and 11% will be from Kowloon and Hong Kong Island, respectively; and in 2022, the New Territories will contribute 60% of the new supply. Furthermore, according to the 2021 Property Review, the vacancy rate of private domestic units in Central and Western district and in Sham Shui Po district at the end of 2020 was approximately 3.9% and 2.6%, respectively, which was below the overall vacancy rate of private domestic units in Hong Kong of approximately 4.3%.

In addition, further taking into account of (i) the locations of the Project-HK and Project-Kowloon; and (ii) the redevelopment schemes and building plans of each of the Project-HK and Project-Kowloon having been approved, we concur with the Company's view that the Proposed Transaction enables the Group to expand its property development portfolio in Kowloon and Hong Kong Island (which usually provide less supply of private domestic units as compared to the New Territories and with relatively lower vacancy rate) without the need to go through a competitive auction process.

No immediate cash outlay in relation to the Proposed Transaction

As stated in the Letter from the Board, the Group has proposed to satisfy the Consideration for the Proposed Transaction by issuing the Consideration Shares instead of deploying cash resources, thereby saving more cash resources for financing its general working capital and allowing it to continue to seek other land bank opportunities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In determining the proposed settlement of the Consideration by issue of the Consideration Shares, the Board has considered and evaluated alternative methods. In particular, the Board considers that settling the Consideration by cash and/or by bank borrowings would reduce Group's cash resources and/or increase its debt level which in turn will hinder its flexibility and ability in replenishing its land bank when opportunities arise. The Board has also considered other equity fund raising options by way of share placement or rights issue but is of the view that such fund raising alternatives are less favourable than the proposed settlement method of issuing the Consideration Shares given that the issue price for both share placement and rights issue are usually at a discount to the prevailing trading price of the Shares whereas the issue price of the Consideration Shares is now proposed at a considerable premium to the current market price of the Shares. While a rights issue will enable participating shareholders to maintain its shareholding interests and therefore avoid dilution, the Board considers that it is not preferable to conduct a cash call exercise to all the existing Shareholders under the current unfavourable economic conditions.

Taking into account that the Consideration will be satisfied entirely by the allotment and issue of the Consideration Shares without any cash consideration, we concur with the Company's view that the settlement method under the Proposed Transaction enables the Group to preserve considerable amount of cash so as to continue to seek land bank opportunities as and when they arise. Meanwhile, we have, on a best effort basis, conducted a search of all rights issue, open offer, subscription of shares under specific mandate and placing of shares under specific mandate (the "**Reference Fund Raising Exercises**") that were announced by companies listed on the Main Board of the Stock Exchange (and which were not suspended for over one month at the time of such announcement) within the three months prior to the date of the announcement in relation to the Proposed Acquisition dated 29 June 2021 (the "**Announcement**") by searching through published information on the Stock Exchange's website. Although the Reference Fund Raising Exercises may have different sizes as compared to the amount of the Consideration, we still consider that the Reference Fund Raising Exercises are fair and representative samples for the purpose of comparing the relevant issue price or subscription price of the new shares and the trading prices of the relevant shares in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

recent months. We compared the respective premium/discount over/to (i) the closing price of the shares of the Reference Fund Raising Exercises on the relevant last trading day in relation to the respective fund raising exercises (the “**Last Trading Date Premium/(Discount)**”) as stated in the relevant announcement, and (ii) the average closing price of the shares of the Reference Fund Raising Exercises on last five (5) consecutive trading day (the “**5-Day Premium/(Discount)**”) as stated in the relevant announcement. Set out below is the summary of our findings:

Company	Stock code	Announcement date	Last Trading Date Premium/(Discount) %	5-Day Premium/(Discount) %
<i>Rights issue</i>				
China Environmental Energy Investment Limited	986	16-Jun-21	(5.7)	(2.3)
Lai Sun Garment (International) Limited	191	11-Jun-21	(65.0)	(65.1)
Vision Fame International Holding Limited	1315	1-Jun-21	(60.8)	(60.5)
China Internet Investment Finance Holdings Limited	810	20-May-21	(51.2)	(53.1)
Champion Technology Holdings Limited	92	18-May-21	8.7 (Note 2)	6.4 (Note 2)
Ta Yang Group Holdings Limited	1991	13-May-21	(22.2)	(21.1)
China Best Group Holding Limited	370	11-May-21	(45.2)	(47.0)
Great Wall Belt & Road Holdings Limited	524	11-May-21	(18.9)	(23.5)
Coolpad Group Limited	2369	4-May-21	(41.1)	(41.2)
China Investment Development Limited	204	4-May-21	(10.3)	(11.1)
Sandmartin International Holdings Limited	482	28-Apr-21	(16.0)	(16.0)
Golden Power Group Holdings Limited	3919	9-Apr-21	(21.4)	(20.7)
State Energy Group International Assets Holdings Limited	918	8-Apr-21	(22.2)	(24.2)
		Average	(28.6)	(29.2)
		Maximum	8.7	6.4
		Minimum	(65.0)	(65.1)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company	Stock code	Announcement date	Last Trading Date Premium/ (Discount) %	5-Day Premium/ (Discount) %
<i>Placing</i>				
Ganfeng Lithium Co., Ltd.	1772	11-Jun-21	(5.0)	(8.6)
Fuyao Glass Industry Group Co., Ltd.	3606	2-May-21	(5.0)	(8.5)
SunCorp Technologies Limited	1063	23-Apr-21	(13.0)	(1.8)
		Average	(7.7)	(6.3)
		Maximum	(5.0)	(1.8)
		Minimum	(13.0)	(8.6)
<i>Subscription</i>				
Hong Kong Resources Holdings Company Limited	2882	31-May-21	(15.3)	(15.3)
New Focus Auto Tech Holdings Limited	360	28-May-21	(30.6)	(24.0)
Zhong Ji Longevity Science Group Limited	767	10-May-21	(12.2)	(16.5)
E-House (China) Enterprise Holdings Limited	2048	28-Apr-21	0.0	(0.1)
Secc Media Group Limited	205	20-Apr-21	3.2	3.3
Meituan	3690	20-Apr-21	(5.3)	(4.0)
		Average	(10.0)	(9.4)
		Maximum	3.2	3.3
		Minimum	(30.6)	(24.0)

Notes:

- No open offer was announced by companies listed on the Main Board of the Stock Exchange (and which were not suspended for over one month at the time of such announcement) within the three months before the date of the Announcement.
- According to the announcement of Champion Technology Holdings Limited dated 18 May 2021, the subscription price of the relevant rights issue was HK\$0.1 per rights share, which was also its par value.

Based on our research conducted, there were 22 Reference Fund Raising Exercises comprising 13 rights issue, three placing and six subscription exercises. Amongst these 22 Reference Fund Raising Exercises, only two of them (the relevant exercises conducted by namely, Champion Technology Holdings Limited and Secc Media Group Limited) were conducted with slight Last Trading Date Premium and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5-Trading Day Premium, while most of the Reference Fund Raising Exercises were conducted at Last Trading Date Discount and 5-Trading Day Discount. We noted that the subscription price of the rights issue of Champion Technology Holdings Limited was HK\$0.1, being the par value of its shares. Meanwhile, we also noted that the average Last Trading Date Discount and 5-Trading Day Discount for rights issues, which entitle all shareholders thereof to participate, are deeper than that for placing and subscription exercises, which do not entitle all shareholders thereof to participate. Meanwhile, we also noted that the rights issues as stated above were conducted either on a non-underwritten basis, which yield uncertainty on the final amount of fund to be raised, or incur underwriting commission at a fee rate ranging from 1.0% to 7.07%.

Accordingly, we concur with the view of the Board that other equity fund raising options by way of share placement or rights issue are less favourable than the proposed settlement method of issuing the Consideration Shares given that the issue price for both share placement and rights issue are usually at a discount to the prevailing trading price of the Shares whereas the proposed issue price of the Consideration Shares is at a considerable premium to the current market price of the Shares.

5. Principal terms of the Sale and Purchase Agreement

On 29 June 2021, the Vendors (indirect wholly-owned subsidiaries of Chuang's Consortium), the Purchaser (a direct wholly-owned subsidiary of the Company), the Company and Chuang's Consortium entered into the Sale and Purchase Agreement. The principal terms of the Sale and Purchase Agreement are set out in the Letter from the Board and include the following:

5.1 Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and assign (or procure the sale of), and the Purchaser has conditionally agreed to acquire and accept the assignment of, the Sale Shares and the Sale Loans free from encumbrances and together with all rights and benefits accruing thereto at any time after Completion.

5.2 The Consideration

According to the Sale and Purchase Agreement, the Consideration shall be an amount equal to the Agreed Property Value as adjusted (a) by adding the amount of Completion NAV (if the Completion NAV is a positive amount) or (b) by deducting the amount of Completion NAV (if the Completion NAV is a negative amount).

As stated in the Letter from the Board, the Consideration for the Sale Shares and the Sale Loans is estimated to be not more than HK\$586,000,000, which was determined after arm's length negotiations between the Vendors and the Purchaser, and is arrived at based on the aggregate of (i) the Agreed Property Valuation of Project-HK and Project-Kowloon in the aggregate amount of approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$1,005 million; and (ii) the Completion NAV of the Target Companies estimated to be not less than approximately HK\$419 million in net liabilities with reference to the financial position of the Central Treasure Group and Easy Success as at 31 March 2021 and taking into account the ordinary transactions (actual and expected) from 31 March 2021 up to the date of Completion. Thus, the Consideration, which is estimated to be not more than HK\$586 million, would be calculated as Agreed Property Valuation less the absolute amount of the Completion NAV since the Completion NAV is less than zero. The exact amount of the Consideration will be determined as at the date of Completion. The Agreed Property Valuation for Project-HK was HK\$579 million and that for Project-Kowloon was HK\$426 million. As at 31 March 2021, the book value of the Sale Loan (Central Treasure) and Sale Loan (Easy Success) was approximately HK\$585.4 million and HK\$129.7 million, respectively.

The Agreed Property Valuation was determined after arm's length negotiations between the Vendors and the Purchaser by reference to, among others, market values of comparable properties and the respective preliminary market valuation from independent valuers instructed by Chuang's Consortium and the Company respectively. The preliminary market valuation as at 31 May 2021 as appraised by an independent valuer appointed by Chuang's Consortium based on market approach was HK\$579 million for Project-HK and HK\$426 million for Project-Kowloon, which is the same as the Agreed Property Valuation. The market valuation as at 31 May 2021 as appraised by an independent valuer appointed by the Company based on market approach was HK\$585 million for Project-HK and HK\$435 million for Project-Kowloon, representing a respective premium of about 1.0% for Project-HK and 2.1% for Project-Kowloon to the Agreed Property Valuation.

The Consideration shall be satisfied entirely by way of allotment and issue of Consideration Shares by the Company to Profit Stability, a direct wholly-owned subsidiary of Chuang's Consortium, at the issue price of HK\$0.55 per Consideration Share. With reference to the Consideration of not more than HK\$586,000,000, it is expected that not more than 1,065,454,545 Consideration Shares will be issued.

Our analysis on the Consideration

The Consideration and valuation of Project-HK and Project-Kowloon

Pursuant to the Sale and Purchase Agreement, the Consideration shall be an amount equal to the Agreed Property Value as adjusted (a) by adding the amount Completion NAV (if the Completion NAV is a positive amount) or (b) by deducting the amount of Completion NAV (if the Completion NAV is a negative amount). Pursuant to the Sale and Purchase Agreement, the Completion NAV shall equal to (i) the total consolidated assets of Central Treasure (other than the Project-HK and the amount receivable in respect of stamp duty refund) minus total consolidated liabilities of Central Treasure (other than the Sale Loan (Central Treasure)) as at the Completion Date; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) the total assets of Easy Success (other than the Project-Kowloon) minus the total liabilities of Easy Success (other than the Sale Loan (Easy Success)) as at the Completion Date.

Based on the Central Treasure Accountants' Report as set out in Appendix IIA of the Circular, the audited consolidated net liabilities of Central Treasure as at 31 March 2021 was approximately HK\$155.6 million, the carrying value of Project-HK was approximately HK\$565.0 million, the amount receivable in respect of stamp duty refund was approximately HK\$36.9 million and the amount due to the Chuang's Consortium Group (excluding the Group, the Central Treasure Group and Easy Success) was approximately HK\$585.4 million.

Based on the Easy Success Accountants' Report as set out in Appendix IIB of the Circular, the audited consolidated net assets of Easy Success as at 31 March 2021 was approximately HK\$44.4 million, the carrying value of Project-Kowloon was approximately HK\$426.0 million and the amount due to the Chuang's Consortium Group (excluding the Group, the Central Treasure Group and Easy Success) was approximately HK\$129.7 million.

For illustration purpose only, based on the audited financial information of the Central Treasure Group and Easy Success as at 31 March 2021 and as set out in the pro-forma financial information in Appendix IV to this circular, if the Completion had taken place on 31 March 2021, the Consideration would be approximately HK\$581.0 million, while the final amount of Consideration will be determined based on the Completion NAV.

As stated above, the Consideration is determined based on, among other things, the Agreed Property Valuation. As disclosed in the Letter from the Board, the market valuation as at 31 May 2021 as appraised by Knight Frank, an independent valuer appointed by the Company based on market approach was HK\$585 million for Project-HK and HK\$435 million for Project-Kowloon, representing a respective premium of about 1.0% for Project-HK and 2.1% for Project-Kowloon to the Agreed Property Valuation.

In assessing the fairness and reasonableness of the Consideration, we have further obtained and reviewed the Valuation Report of Project-HK and Project-Kowloon (the details of which are set out in the Appendix V to the Circular). According to the Valuation Report, the Valuation of Project-HK and Project-Kowloon as at 31 May 2021 was HK\$585.0 million and HK\$435.0 million, respectively.

We have reviewed the Valuation Report and discussed with Knight Frank regarding the methodology of, basis and assumptions adopted for the valuation of the market value of Project-HK and Project-Kowloon as contained in the Valuation Report. We noted that Knight Frank has carried out inspection of Project-HK and Project-Kowloon. The valuation of Project-HK and Project-Kowloon was conducted by Knight Frank using market approach by made

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

reference to the recent market sales evidence (the “**Comparable Transactions**”) which is available in the open market. By analysing such sales, adjustments are made by Knight Frank for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of Project-HK and Project-Kowloon.

We have been advised by Knight Frank that for valuation of properties with residential/commercial redevelopment potential, the above valuation methodologies are commonly adopted in the industry. Meanwhile, further taking into account that (i) the building plans of each of Project-HK and Project-Kowloon have been approved; (ii) it is the Group’s intention to redevelop Project-HK and Project-Kowloon into residential/commercial buildings; (iii) there are comparable transactions (from 2017 to 2021) identified by Knight Frank; and (iv) market approach generally involves less subjective inputs and assumptions as compared to income approach and residual approach. Based on the above, we consider that the valuation approach adopted by Knight Frank in performing the Valuation of Project-HK and Project-Kowloon is appropriate.

We obtained further details of the Comparable Transactions adopted for the valuation such as the respective transaction date, site address, consideration and accommodation value. We noted that Knight Frank has made reference to five Comparable Transactions which took place in 2017 to 2021 for Project-HK in Hong Kong Island and three Comparable Transactions which took place in 2019 and 2020 for Project-Kowloon in Kowloon, details of which are extracted from the Valuation Report as set out in Appendix V to the Circular and set out below:

Comparable Transactions for Project-HK:

Site Address	Date of Transaction	Consideration (HK\$'000)	Site area (sq. ft.)	Maximum GFA (sq. ft.)	Accommodation Value (HK\$ per sq. ft.)
No. 105 Robinson Road	25 March 2021	2,505,000	27,530	137,650	18,198
IL5286 and IL5287, Nos. 326-332 Des Voeux Road West and Nos. 11A-11D Sai On Lane	20 May 2020	700,000	6,172	55,548	12,602
APIL137, Ap Lei Chau Praya Road, Ap Lei Chau	27 May 2020	1,332,800	12,150	88,282	15,097
No. 35 Kennedy Road, Wan Chai	3 May 2019	463,024	4,443	22,215	20,843
Nos. 73-73E Caine Road	17 October 2017	1,049,250	6,781	59,605	17,603

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable Transactions for Project-Kowloon:

Site Address	Date of Transaction	Consideration (HK\$'000)	Site area (sq. ft.)	Maximum GFA (sq. ft.)	Accommodation Value (HK\$ per sq. ft.)
Nos. 7-9A Cheung Wah Street	29 April 2020	268,000	2,250	19,440	13,786
No. 300 Castle Peak Road	25 June 2019	118,000	1,175	10,576	11,157
No. 31 Fuk Tsun Street	27 May 2019	410,000	4,403	39,628	10,346

As further advised by Knight Frank, the intended usage of all of the Comparable Transactions is for residential use. We further noted that, according to the Town Planning Board, the zoning of all of the Comparable Transactions, Project-HK and Project-Kowloon are classified under residential zones. We have further obtained and reviewed the adjustments made by Knight Frank which has taken into account of time factor, location factor and size factor. As disclosed in the Valuation Report set out in Appendix V to the Circular, for the time factor, Knight Frank has taken reference to market research, sale record and Private Domestic-Price Indices by Class (Territory-Wide) Classes A, B & C issued by the Rating and Valuation Department, the effect of which ranged from approximately -0.7% to 14.7% for the Comparable Transactions of Project-HK and approximately -0.7% to 4.6% for the Comparable Transactions of Project-Kowloon as advised by Knight Frank. In considering the location factor, Knight Frank has made reference to the accessibility, the public transportation facility nearby and the locality, the effect of which ranged from approximately -5.0% to 10.0% for the Comparable Transactions of Project-HK and approximately -10.0% to 10.0% for the Comparable Transactions of Project-Kowloon as advised by Knight Frank. For the size factor, larger scale of site is superior in flexibility on flat mix as well as the efficiency ratio, the effect of which ranged from approximately -20.5% to 2.5% for the Comparable Transactions of Project-HK and approximately -0.9% to 4.9% for the Comparable Transactions of Project-Kowloon as advised by Knight Frank. Knight Frank has further confirmed that all of the adjustments applied conform to the market practice. We have cross-checked the relevant computations prepared by Knight Frank and noted that the adjustments applied were generally in line with the aforesaid bases and rationale, which we consider fair and reasonable. Meanwhile, Knight Frank has applied an adjustment of approximately 14.7% as the time factor for the Comparable Transaction for Project-HK which took place in 2017, and we further noted that, according to the Rating and Valuation Department, the increase in average prices private domestic of different classes in Hong Kong Island during 2017 to 2020 ranged from approximately 8.7% to 18.1% and the adjustment factor applied by Knight Frank falls within the range. Taking into account of the transaction timing, zoning and the location of the Comparable Transactions, we concur with Knight Frank that the comparables are fair and representative. Meanwhile, taking into account that Rating and Valuation Department is a government body whose functions include, but not limited to,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

rating assessment, government rent assessment and property valuation services, we consider that making reference to such source by Knight Frank is fair and reasonable.

Further, we noted from the Valuation Report that the total estimated construction cost (including demolition cost and professional fees) for Project-HK and Project-Kowloon is approximately HK\$276,000,000 and HK\$206,000,000, respectively. In respect of the such estimated costs of Project-HK and Project-Kowloon, (i) we have obtained and reviewed the calculation of such costs prepared by the Company; (ii) we noted that approximately 94% of such amount was attributable to the construction costs (the “**Construction Costs**”), while the remaining approximately 6% was related to professional fees; (iii) we further noted that the Company has included a 10% buffer as contingency for the Construction Costs; (iv) the estimate construction cost for the superstructure of Project-HK was approximately HK\$195.4 million (“**Project-HK Building Cost**”), representing approximately 82.6% of the relevant Construction Cost (net of contingency provisions), and the estimate construction cost for the superstructure of Project-Kowloon was approximately HK\$145.0 million (“**Project-Kowloon Building Cost**”), representing approximately 82.5% of the relevant Construction Cost (net of contingency provisions); (v) we have obtained and reviewed a handbook regarding the construction cost in China and Hong Kong (the “**Handbook**”) published in 2021 by a global design & consultancy firm for natural and built assets whose shares are listed on Euronext Amsterdam; and (vi) taking into account of (a) the range of construction costs for average standard to high end domestic apartments in Hong Kong as set out in the Handbook; (b) the range of mechanical and electrical cost for average standard to high end domestic apartments in Hong Kong as set out in the Handbook; (c) the range of air-conditioning and mechanical ventilation cost for residential building as set out in the Handbook; (d) according to the building cost pro-forma for private sector developments in Hong Kong published by The Hong Kong Institute of Surveyors, there shall be an increment of 20% to 30% in average construction cost if the development scale is below 5,000 square meter in GFA; and (e) the estimated construction floor area of Project-HK and Project-Kowloon as advised by the Company, the estimated construction cost of the superstructure shall range from HK\$142.5 million to HK\$235.6 million for Project-HK and HK\$136.0 million to HK\$224.9 million for Project-Kowloon. We noted that each of the Project-HK Building Cost and the Project-Kowloon Building Cost fall within the respective range.

We have also enquired (i) the terms of engagement of Knight Frank (including its independence) with the Company; (ii) the qualification and experience of Knight Frank in relation to the valuation of similar property interests in Hong Kong and the preparation of the Valuation Report; and (iii) the procedures and work taken by Knight Frank in conducting the Valuation of Project-HK and Project-Kowloon. From the relevant information provided by Knight Frank and based on our interview with them, we are satisfied with the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

terms of engagement of Knight Frank as well as their qualification and experience for preparation of the Valuation Report. Knight Frank has also confirmed that they are independent to the Group and the Chuang's Consortium Group.

As confirmed by Knight Frank, all principal basis and assumptions has been included in the Valuation Report and taking into account of (i) our review on those basis and assumptions (as set out in the Valuation Report); (ii) our discussion with Knight Frank; (iii) the fact that the basis of valuation followed "The HKIS Valuation Standards 2020" issued by The Hong Kong Institute of Surveyors and "The RICS Valuation — Global Standards 2020" issued by the Royal Institution of Chartered Surveyors; (iv) the conditions precedent to the Completion include (a) all statutory, governmental and regulatory obligations having been complied with and all regulatory, statutory and governmental consents and waivers necessary to give effect to the Completion having been obtained by the Vendors and the Purchaser; and (b) the Central Treasure Group and Easy Success having good title to Project-HK and Project-Kowloon respectively; and (v) it is the Group's intention to redevelop Project-HK and Project-Kowloon, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for or the information used in the valuation of Project-HK and Project-Kowloon.

Nevertheless, Shareholders should note that valuation of property usually involves assumptions and therefore the valuation of Project-HK and Project-Kowloon may or may not reflect the true market value of Project-HK and Project-Kowloon accurately. Further details of the basis and assumptions of the valuation of Project-HK and Project-Kowloon are included in the Valuation Report as set out in Appendix V to this circular.

5.3 *Conditions precedent*

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions:

- (i) the Chuang's Consortium Shareholders approving the Proposed Transaction;
- (ii) the Independent Shareholders approving the Proposed Transaction;
- (iii) the Listing Committee having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (iv) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on Completion, save for any trading halt or suspension not exceeding seven consecutive Business Days in connection with the clearance by the Stock Exchange of the announcement to be issued in respect of, inter alia, the Proposed Transaction;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) no indication being received on or before the date of Completion from the Stock Exchange to the effect that the listing of the Shares may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of Completion or in connection with the terms of the Sale and Purchase Agreement or for any reason;
- (vi) the Central Treasure Group and Easy Success having good title to Project-HK and Project-Kowloon respectively;
- (vii) all statutory, governmental and regulatory obligations having been complied with and all regulatory, statutory and governmental consents and waivers necessary to give effect to the Completion having been obtained by the Vendors and the Purchaser; and
- (viii) the financing banks giving the necessary consents and waivers (if applicable) for the continuation of the bank borrowings to the Target Companies notwithstanding the Proposed Transaction and the release of Chuang's Consortium as the guarantor for the bank borrowings.

Pursuant to condition (viii), if any of the financing banks shall not agree to release Chuang's Consortium from its obligation under the guarantee of the bank borrowings to the Target Companies upon Completion, the Company shall execute an indemnity in favor of Chuang's Consortium to indemnify it against all losses which it may suffer or incur after Completion by reason of Chuang's Consortium becoming liable for providing such guarantee. Thus the Purchaser may in its absolute discretion to waive the condition (viii). The remaining conditions cannot be waived by the Vendors and the Purchaser. As at the Latest Practicable Date, except for condition (i) which had been satisfied, none of the other conditions precedent had been fulfilled or waived.

If any of the conditions precedent of the Sale and Purchase Agreement is not fulfilled on or before the Long Stop Date, the rights and obligations of the parties under the Sale and Purchase Agreement shall lapse and be of no further effect.

5.4 Completion

Completion shall take place on (i) the third Business Day (a) after the fulfillment or waiver (if applicable) of the conditions precedent under the Sale and Purchase Agreement or (b) after the record date of the Proposed Conditional Chuang's China Special Cash Distribution, whichever is later; or (ii) such other day as may be agreed in writing between the Vendors and the Purchaser. Upon Completion, the Central Treasure Group and Easy Success will become indirect wholly-owned subsidiaries of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5.5 Consideration Shares

A maximum of 1,065,454,545 Consideration Shares will be allotted and issued, representing approximately 45.4% of the existing issued share capital of the Company as of the Latest Practicable Date and approximately 31.2% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion).

The issue price of HK\$0.55 per Consideration Share represents:

- (i) a premium of approximately 17.0% over the closing price of HK\$0.470 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 18.5% over the average closing price of HK\$0.464 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to and including the Last Trading Day;
- (iii) a premium of approximately 19.3% over the average closing price of HK\$0.461 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and including the Last Trading Day;
- (iv) a premium of approximately 19.8% over the average closing price of HK\$0.459 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days prior to and including the Last Trading Day;
- (v) a premium of approximately 34.1% over the 52-week average closing price of HK\$0.410 per Share prior to the Last Trading Day as quoted on the Stock Exchange;
- (vi) a premium of approximately 17.0% over the closing price of HK\$0.470 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a discount of approximately 70.7% to the latest audited net asset value per Share as at 31 March 2021, being HK\$1.88 per Share.

The issue price of HK\$0.55 per Consideration Share was arrived at after arm's length negotiation between the Vendors and the Purchaser with reference to, among others, the prevailing market prices of the Shares, the last recorded closing prices that traded above HK\$0.55 per Shares being in June 2018, and the current market conditions. Accordingly, the Directors consider that despite the fact that the issue price represented a discount of approximately 70.7% to the latest audited net asset value per Share as at 31 March 2021, the issue price of HK\$0.55 is at premium ranging from 17.0% to 34.1% to the average closing prices as stated hereinabove and that the allotment and issue of the Consideration Shares at such issue price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

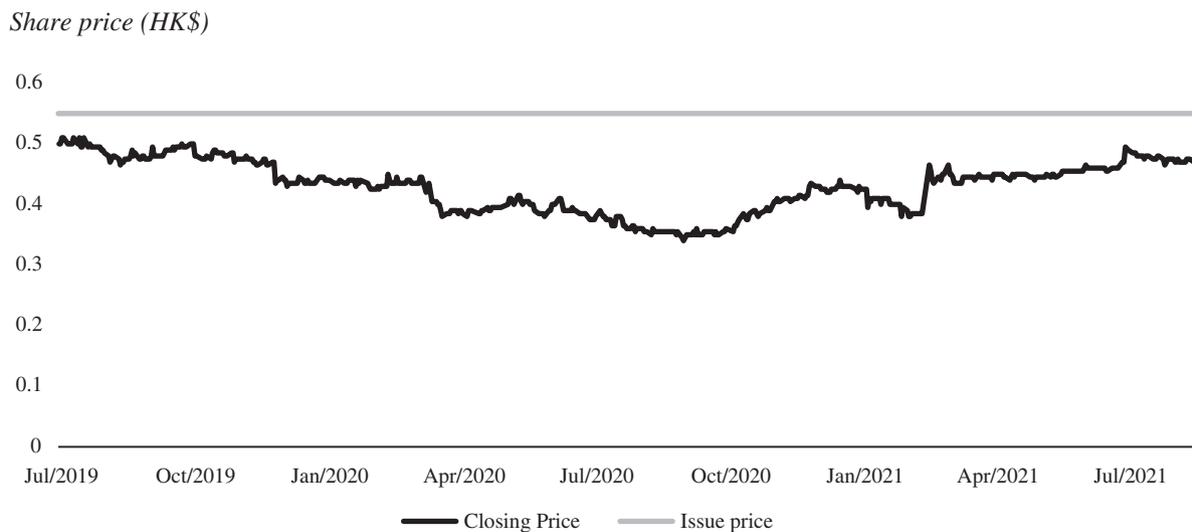
6. Evaluation of the Consideration Shares

6.1 Historical trading price of the Shares

As disclosed above, the Consideration for the Sale Shares and the Sale Loans is estimated to be not more than HK\$586,000,000, which shall be satisfied entirely by way of allotment and issue of not more than 1,065,454,545 Consideration Shares.

In assessing the fairness and reasonableness of the issue price of the Consideration Shares, we have compared the historical closing prices of the Shares as quoted on the Stock Exchange during the Review Period with the Issue Price of HK\$0.55 per Consideration Share.

Set out below is the comparison of the daily closing prices of the Shares and the Issue Price during 1 July 2019 up to and including the Latest Practicable Date (the “**Review Period**”):



Source: Bloomberg

During the Review Period, the highest closing price and the lowest closing price of the Shares was HK\$0.51 (on 4, 5, 12, 16 and 19 July 2019) and HK\$0.34 (on 1 September 2020) respectively, with an average closing price of approximately HK\$0.430. Since the beginning of the Review Period, the closing price of the Shares maintained a generally downward trend until early 2021. After trading hours on 11 February 2021, the Company announced the proposed disposal of Double Wealthy Company Limited and Guangzhou Kai Xiang Properties Management Company Limited# (廣州市凱翔物業管理有限公司) which constituted a very substantial disposal and as further stated in such announcement, the Group is expected to record an estimated net gain from the disposals of approximately HK\$1,078.7 million. The closing price of the Shares increased from HK\$0.385 per Share on 11 February 2021

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to HK\$0.465 on 16 February 2021. Since then and up to the Last Trading Date (the “**Pre-Announcement Trading Period**”), the closing price of the Shares was relatively stable and ranged from HK\$0.435 to HK\$0.47 per Share.

We further noted from the above chart that the Shares were closed below the issue price of the Consideration Shares throughout the entire Review Period, and the issue price of the Consideration Shares of HK\$0.55 represented a premium of approximately 61.8% over the lowest closing price per Share, a premium of approximately 7.8% to the highest closing price per Share and a premium of approximately 27.9% over the average closing price per Share of the Review Period; and the issue price of the Consideration Shares of HK\$0.55 represented a premium of approximately 26.4% over the lowest closing price per Share, a premium of approximately 17.0% over the highest closing price per Share of the Pre-Announcement Trading Period.

Meanwhile, as stated in the Letter from the Board, the Consideration Shares shall not be entitled to receive the Proposed Conditional Chuang’s China Special Cash Distribution. If the closing prices of the Shares were adjusted on an ex-right to the Proposed Conditional Chuang’s China Special Cash Distribution basis, the range of ex-right closing price for the Review Period and the Pre-Announcement Trading Period would then be HK\$0.255 to HK\$0.425 per Share and HK\$0.35 to HK\$0.385 per Share, respectively, which represented a deeper discount to the issue price of the Consideration Shares of HK\$0.55 per Share.

6.2 Market comparable companies

On the other hand, although the issue price per Consideration Shares represented a premium over the closing price per Share during the Review Period, as stated in the Letter from the Board, the issue price per Consideration Share of HK\$0.55 per Share represented a discount of approximately 70.7% to the latest audited net asset value per Share as at 31 March 2021. Based on the issue price per Consideration Share of HK\$0.55 per Share and the audited consolidated net assets per Share of HK\$1.88 per Share, the implied price-to-book ratio (“**P/B Ratio**”) of the Consideration Share is approximately 0.29 times. In order to assess the fairness and reasonableness of the Consideration, we have also performed analysis on implied P/B Ratio represented by the issue price of the Consideration Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account of the revenue composition of the Group in recent years, the revenue level and amount of total assets of the Group over the past years, we consider that companies which (i) are principally engaged in property development and investment business with no less than 30% of their revenue derived as real estate owner and developer segment in the latest financial year; (ii) derived no less than 10% of their revenue from Hong Kong in its latest financial year; (iii) had derived income from the PRC in its latest financial year; (iv) had a total assets of no less than HK\$1.0 billion but no more than HK\$15.0 billion at the end of their latest financial year; (v) derived revenue of no less than HK\$80.0 million in their latest financial year; and (vi) listed on Main Board of the Stock Exchange (the “**Comparable Companies**”) to be appropriate for the purpose of our analysis. Based on the aforesaid selection criteria and our searches conducted on a best effort basis on Bloomberg, we have identified an exhaustive list of five companies which we considered fair and representative and the relevant information of which are set out below:

Company (Stock Code)	Closing price as at the Latest Practicable Date HK\$	Market Capitalisation HK\$ million	P/B Ratio (Note)
ITC Properties Group Limited (199)	0.92	883.4	0.25
Eminence Enterprises Limited (616)	0.460	428.5	0.15
Liu Chong Hing Investment (194)	8.25	3,123.3	0.24
Deson Development International Holdings Limited (262)	0.114	111.5	0.07
Rykadan Capital Limited (2288)	0.74	277.8	0.22
		Highest	0.25
		Lowest	0.07
		Average	0.19
Consideration Shares			0.29

Source: The Stock Exchange’s website and Bloomberg

Note: P/B ratios of the Comparable Companies are calculated based on their respective closing prices as at the Latest Practicable Date and the net assets value of the Comparable Companies attributable to their respective shareholders as extracted from their respective latest published statements of financial position divided by the total number of issued shares as at their respective dates of statement of financial position.

As shown in the table set out above, the range of P/B Ratio of the Comparable Companies was approximately 0.07 times to 0.25 times. The implied P/B Ratio in relation to the issue price of the Consideration Shares of 0.29 times was above the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

highest P/B Ratio of the Comparable Companies, and represented approximately 52.6% premium over the average P/B Ratio of the Comparable Companies of approximately 0.19 times.

Meanwhile, if the net asset value per Share was further adjusted with the Proposed Conditional Chuang's China Special Cash Distribution, the then implied P/B Ratio of the issue price of the Consideration Share would be further increased to approximately 0.306 times.

Taking into account of the analyses above, we consider that the issue price of the Consideration Shares is fair and reasonable.

7. Shareholding structure of the Company

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the maximum number of Consideration Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion):

	As at the Latest Practicable Date		Immediately after the allotment and issue of the maximum number of Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Shareholders				
Chuang's Consortium (<i>Note 1</i>)	1,426,074,923	60.71	2,491,529,468	72.97
Ms. Candy Chuang (<i>Note 2</i>)	1,255,004	0.05	1,255,004	0.04
Mr. Lee (<i>Note 3</i>)	870,879	0.04	870,879	0.03
Mr. Sunny Pang Chun Kit (<i>Note 4</i>)	930,000	0.04	930,000	0.03
Subtotal	1,429,130,806	60.84	2,494,585,351	73.07
Public shareholders	919,704,510	39.16	919,704,510	26.93
Total	2,348,835,316	100.00	3,414,289,861	100.00

Notes:

1. Chuang's Consortium's interest in the Company is and will be held through Profit Stability, a direct wholly-owned subsidiary of Chuang's Consortium.
2. Ms. Candy Chuang is an executive director of Chuang's Consortium.
3. Mr. Lee is a director of certain subsidiaries of Chuang's Consortium and the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Mr. Sunny Pang Chun Kit retired and ceased to act as an executive director of the Company with effect from 30 July 2021.

Pursuant to the Sale and Purchase Agreement, the maximum Consideration of HK\$586.0 million will be satisfied by the allotment and issue of not more than 1,065,454,545 Consideration Shares by the Company at the issue price of HK\$0.55 per Consideration Share. As illustrated in the above, the issue and allotment of the Consideration Shares will dilute the existing public Shareholders' shareholding from approximately 39.16% to approximately 26.93%. Taking into consideration that (i) the issue price represented a premium over the closing prices of the Shares during the Review Period and the Pre-Announcement Trading Period; (ii) the issue of the Consideration Shares would settle the entire Consideration without immediate significant cash outlay of the Group thereby reserving financial resources of the Group for development of its business; and (iii) the Proposed Transaction enables the Group to replenish its land bank while, as stated in the Letter from the Board, the Group had involved in various public tender projects and/or private treaties in past few months but was unsuccessful (as further discussed in the section headed "4. Reasons for and the benefits of the Proposed Transaction" above), we are of the view that the potential dilution effect on the shareholding of the Independent Shareholders is justifiable.

8. Financial effects of the Proposed Transaction

As stated in the Letter from the Board, upon Completion, the Central Treasure Group and Easy Success will become indirect wholly-owned subsidiaries of the Company, and their assets, liabilities and results will be consolidated into the financial statements of the Group.

8.1 Earnings

According to the 2021 Annual Report, the Group recorded a net profit of approximately HK\$415.4 million for the year ended 31 March 2021. Based on the Central Treasure Accountants' Report as set out in Appendix IIA to this circular and Easy Success Accountants' Report as set out in Appendix IIB to this circular, the Central Treasure Group and Easy Success recorded net loss of approximately HK\$20.5 million and HK\$15.6 million, respectively, for the year ended 31 March 2021. As advised by the Company and as disclosed in the Letter from the Board, the Chuang's Consortium Intra-Group Charges to Central Treasure Group and Easy Success amounted to approximately HK\$18.1 million and HK\$10.5 million, respectively, for the year ended 31 March 2021, and all intra-group charges to Central Treasure Group and Easy Success by other members of the Group subsequent to the Completion would be eliminated on a consolidation basis. Assuming the results of the Target Companies had been consolidated to the consolidated financial statements of the Company from 1 April 2020, all Chuang's Consortium Intra-Group Charges were eliminated in the Company's consolidated financial statements and there was no change in fair value of investment property held by the Target Companies, the net profit of the Group would have been reduced by no more than HK\$4 million, representing not more than 1% of the net profit of the Group for the year ended 31 March 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Meanwhile, given (i) the Consideration is determined based on the Agreed Property Valuation and the Completion NAV; (ii) the fair value of the Project-HK and Project-Kowloon as set out in the Valuation Report represented premium over the Agreed Property Valuation; and (iii) the issue price of the Consideration Shares represented a premium over the recent closing prices of the Shares, depending on the changes in fair value of Project-HK and Project-Kowloon and the trading prices of the Shares, and as further illustrated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the Group might recognize an one-off negative goodwill at Completion which shall be determined based on the fair value of consideration given by the Group and the fair value of assets acquired in relation to the Proposed Transaction. However, the actual impact can only be determined at Completion.

8.2 *Assets and liabilities*

According to the 2021 Annual Report, the audited consolidated total assets and total liabilities of the Group as at 31 March 2021 were approximately HK\$7,305.3 million and HK\$2,762.0 million, respectively. Based on the “Unaudited pro forma financial information of the Enlarged Group” as set out in Appendix IV to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, which had considered the effect of the Proposed Conditional Chuang’s China Special Cash Distribution, but did not include, among other things, the effect of the disposal of the subsidiaries that held the property project in Panyu, the PRC which was completed on 14 May 2021, assuming Completion had taken place (with the payment of the Proposed Conditional Chuang’s China Special Cash Distribution) on 31 March 2021, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group as at 31 March 2021 would be approximately HK\$8,115.4 million and HK\$3,192.0 million, respectively on a pro forma basis. Accordingly, the unaudited pro forma consolidated net assets of the Enlarged Group as at 31 March 2021 would be increased by approximately HK\$380.1 million to approximately HK\$4,923.4 million on a pro forma basis, which was mainly resulted from the consolidation of assets and liabilities of the Target Companies and the fact that the Consideration will be settled entire by the allotment and issue of the Consideration Shares, and partially offset by the payment of the Proposed Conditional Chuang’s China Special Cash Distribution.

8.3 *Gearing*

According to the 2021 Annual Report, as at 31 March 2021, the Group had cash, bank balances and bonds investments amounted to approximately HK\$1,899.0 million which exceeded its borrowings, and therefore was not in net debt position.

Based on the “Unaudited pro forma financial information of the Enlarged Group” as set out in Appendix IV to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, which did not include the effect of the disposal of the subsidiaries that held the property project in Panyu, the PRC which was completed on 14 May 2021, assuming

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Completion had taken place on 31 March 2021, the unaudited pro forma consolidated bank borrowings of the Group would amount to approximately HK\$2,238.8 million. Further taking into account of the reduction in pro forma consolidated cash and bank balances of approximately HK\$201.3 million (mainly attributable to the Proposed Conditional Chuang's China Special Distribution of approximately HK\$199.7 million) and pro forma consolidated net assets attributable to equity holders of the Company of approximately HK\$4,799.8 million as stated in Appendix IV to this circular, the then gearing ratio of the Group (expressed 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 Company) would be approximately 11.3%.

8.4 Working capital

Based on the 2021 Annual Report, the Group had cash and bank balances of approximately HK\$679.0 million and bonds investments amounted to approximately HK\$1,220.0 million as at 31 March 2021.

Based on the "Unaudited pro forma financial information of the Enlarged Group" as set out in Appendix IV to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, which had considered the effect of the Proposed Conditional Chuang's China Special Cash Distribution, but did not include the effect of the disposal of the subsidiaries that held the property project in Panyu, the PRC which was completed on 14 May 2021, assuming Completion had taken place (with the payment of the Proposed Conditional Chuang's China Special Distribution of approximately HK\$199.7 million) on 31 March 2021, the unaudited pro forma consolidated cash and bank balance would be reduced by approximately HK\$201.3 million. Such decrease would be principally attributable to the payment of the Proposed Conditional Chuang's China Special Cash Distribution. Nevertheless, as advised by the Company, it is the Company's current intention to finance costs of redevelopment principally by external bank loans. Therefore, it is currently not expected that the Group will incur significant cash outflow for the redevelopment of Project-HK and Project-Kowloon.

On the other hand, as stated in the Letter from the Board, in May 2021, upon completion of the disposal of the property project in Panyu District, Guangzhou, the PRC, the Group has additional cash of about HK\$1,471.9 million after payment of transaction tax. The Board declared that conditional upon the Completion, the Company will distribute the Proposed Conditional Chuang's China Special Cash Distribution to the Shareholders whose names appear on the register of members of the Company on the record date for determining the entitlement to such cash distribution, and the Proposed Conditional Chuang's China Special Cash Distribution is expected to amount to approximately HK\$200 million, representing approximately 5.9% of the aggregate of (i) the cash and bank balances of approximately HK\$679.0 million and bonds investments of approximately HK\$1,220.0 million as at 31 March 2021; and (ii) the additional cash of about HK\$1,471.9 million after payment of transaction tax upon completion of the disposal of the property project in Panyu District, Guangzhou, the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, which, in particular, include:

- (i) the Group currently only has one project in its landbank in Hong Kong, and the Proposed Transaction will replenish the landbank of the Group in Hong Kong which is in line with the business strategies of the Group;
- (ii) the Consideration represents the Agreed Property Valuation of Project-HK and Project-Kowloon, and the aggregate of all assets (other than Project-HK and Project-Kowloon and a stamp duty refund receivable of the Central Treasure Group) and minus all liabilities (other than the Sale Loans) of the Central Treasure Group and Easy Success as at Completion;
- (iii) the valuations of Project-HK and Project-Kowloon as set out in the Valuation Report represented a slight premium over the Agreed Property Valuation;
- (iv) the Consideration is entirely satisfied by the allotment and issue of the Consideration Shares which allows the Group to save more cash resources for financing its general working capital and allowing it to continue to seek other land bank opportunities;
- (v) the issue price of the Consideration Share represented a premium over the closing price of Shares during the Review Period and the Pre-Announcement Period and we considered the issue price of the Consideration Shares to be fair and reasonable;
- (vi) the vacancy rate of private domestic units has maintained a relatively stable rate in recent years and the forecast completion of private domestic units for 2021 and 2022 represented less than 5% of the stock in 2020;
- (vii) although the Target Companies were loss-making in their respective latest financial year, while the Company mainly consider these projects as landbank for redevelopment, and assuming the results of the Target Companies had been consolidated to the consolidated financial statements of the Company from 1 April 2020, all Chuang's Consortium Intra-Group Charges were eliminated in the Company's consolidated financial statements and there was no change in fair value of investment property held by the Target Companies, the net profit of the Group would have been reduced by no more than HK\$4 million, which only represented not more than 1% of the net profit of the Group for the year ended 31 March 2021; and
- (viii) although the gearing ratio of the Group shall increase as a result of the Proposed Transaction, while taking into account of the completion of the disposal of the property project in Panyu District, Guangzhou, the PRC in May 2021, from which the Group has generated additional cash of approximately HK\$1,471.9 million after payment of transaction tax, we considered that the increase in gearing ratio of the Group as a result of the Proposed Transaction is acceptable for the purpose of landbank replenishment;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we consider that (i) the acquisition of land for property development through different means (including, but not limited to, public tender, private treaty or the Proposed Transaction) is in the ordinary and usual course of business of the Group; (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms; and (iii) the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders and (ii) the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Proposed Transaction.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited
Derek C.O. Chan **Barton Lai**
Chairman *Director*

Mr. Chan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chan has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Mr. Lai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Lai has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

for identification purpose only

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 2019, 2020 and 2021 are disclosed in the annual reports of the Company for the financial years ended 31 March 2019 (pages 100 to 195), 31 March 2020 (pages 106 to 197) and 31 March 2021 (pages 110 to 200), respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at www.chuangsh-china.com and website of the Stock Exchange at www.hkexnews.hk through the links below:

<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/2021/0726/2021072600833.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had aggregate outstanding indebtedness of approximately HK\$2,967.1 million, comprising bank borrowings of approximately HK\$2,190.2 million of which approximately HK\$1,085.5 million was secured by fixed charges on certain assets of the Enlarged Group (including investment properties, properties for sale and financial assets at fair value through profit or loss) and approximately HK\$1,104.7 million was unsecured but guaranteed by the Company and Chuang's Consortium, unsecured borrowings from non-controlling shareholders of approximately HK\$58.0 million, and unsecured amounts due to the respective immediate holding companies of Central Treasure Group and Easy Success of approximately HK\$588.8 million and HK\$130.1 million respectively. These amounts due to the respective immediate holding companies of Central Treasure Group and Easy Success will be eliminated at the Enlarged Group upon Completion.

As at 30 June 2021, the Enlarged Group provided guarantees of approximately HK\$2.6 million to banks for mortgage loans made by the banks to the purchasers of properties sold by the Enlarged 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 30 June 2021, the Enlarged 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 2021 (being the date to 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 Enlarged Group, including the internally generated funds, the existing borrowings, the currently available facilities, and the effects of the Proposed Transaction, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

With the rollout of the Covid-19 vaccine, it is expected that the economic outlook of the PRC and Hong Kong will continue to improve. Going forward, the Enlarged Group will focus on property projects in Hong Kong and the PRC and apart from seeking new opportunities to replenish land bank for property development, the Enlarged Group will also continue to identify suitable investments to expand its investment property portfolio in order to enhance steady and recurring rental income. The Enlarged Group will 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 Enlarged Group will continue to take actions to expand its sources of revenue, enhance its profitability, and maximize return for its Shareholders.

Furthermore, it is expected that the Enlarged Group will be able to record additional rental income from Easy Success upon Completion before the redevelopment of Project-Kowloon.

6. VALUATION RECONCILIATION STATEMENT

Knight Frank, the independent valuer, has valued Project-HK and Project-Kowloon to be acquired by the Group as at 31 May 2021. Texts of the letter and valuation certificates issued by the independent valuer are included in Appendix V to this circular.

The table below sets forth the reconciliation of the book value of Project-HK as at 31 March 2021 as set out in Appendix IIA to this circular to the market value of Project-HK as at 31 May 2021 as included in the valuation report in Appendix V to this circular.

	<i>HK\$'000</i>
Book value of Project-HK as at 31 March 2021 as set out in Appendix IIA to this circular	564,953
Valuation surplus	<u>20,047</u>
Market value of Project-HK as at 31 May 2021 as set out in the valuation report in Appendix V to this circular	<u><u>585,000</u></u>

The table below sets forth the reconciliation of the book value of Project-Kowloon as at 31 March 2021 as set out in Appendix IIB to this circular to the market value of Project-Kowloon as at 31 May 2021 as included in the valuation report in Appendix V to this circular.

	<i>HK\$'000</i>
Book value of Project-Kowloon as at 31 March 2021 as set out in Appendix IIB to this circular	426,000
Valuation surplus	<u>9,000</u>
Market value of Project-Kowloon as at 31 May 2021 as set out in the valuation report in Appendix V to this circular	<u><u>435,000</u></u>

The following is the text of a report set out on pages IIA-1 to IIA-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHUANG'S CHINA INVESTMENTS LIMITED

Introduction

We report on the historical financial information of Central Treasure Investments Limited (“**Central Treasure**”) and its subsidiaries (together, the “**Central Treasure Group**”) set out on pages IIA-4 to IIA-28, which comprises the consolidated and company balance sheets as at 31 March 2019, 2020 and 2021, and the consolidated statements of comprehensive income, cash flows and changes in equity for each of the years then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information of the Central Treasure Group**”). The Historical Financial Information of the Central Treasure Group set out on pages IIA-4 to IIA-28 forms an integral part of this report, which has been prepared for inclusion in the circular of Chuang's China Investments Limited (the “**Company**”) dated 20 August 2021 (the “**Circular**”) in connection with the proposed acquisition of the entire equity interest in Central Treasure by the Company (the “**Proposed Transaction**”).

Directors' responsibility for the Historical Financial Information of the Central Treasure Group

The directors of the Company are responsible for the preparation of the Historical Financial Information of the Central Treasure Group that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of the Central Treasure Group, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information of the Central Treasure Group that is free from material misstatement, whether due to fraud or error.

The consolidated financial statements of the Central Treasure Group for the Track Record Period (the “**Underlying Financial Statements of the Central Treasure Group**”), on which the Historical Financial Information of the Central Treasure Group is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Central Treasure and its subsidiaries for the Track Record Period. The directors of respective companies are responsible for the preparation of respective companies'

financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and for such internal control as the directors determine is necessary to enable the preparation of respective companies’ financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information of the Central Treasure Group and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of the Central Treasure Group is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of the Central Treasure Group. The procedures selected depend on the reporting accountant’s judgment, including the assessment of risks of material misstatement of the Historical Financial Information of the Central Treasure Group, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of the Historical Financial Information of the Central Treasure Group that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of the Central Treasure Group in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information of the Central Treasure Group.

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

Opinion

In our opinion, the Historical Financial Information of the Central Treasure Group gives, for the purposes of the accountant’s report, a true and fair view of the financial position of Central Treasure and the consolidated financial position of the Central Treasure Group as at 31 March 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of the Central Treasure Group.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information of the Central Treasure Group, no adjustments to the Underlying Financial Statements of the Central Treasure Group have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 20 August 2021

I HISTORICAL FINANCIAL INFORMATION OF THE CENTRAL TREASURE GROUP

Set out below is the Historical Financial Information of the Central Treasure Group which forms an integral part of this accountant's report.

The Underlying Financial Statements of the Central Treasure Group, on which the Historical Financial Information of the Central Treasure Group is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information of the Central Treasure Group is presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	For the year ended 31 March		
		2019	2020	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	7,526	6,499	1,667
Cost of sales		<u>(453)</u>	<u>(579)</u>	<u>(233)</u>
Gross profit		7,073	5,920	1,434
Administrative and other operating expenses		<u>(9,069)</u>	<u>(11,507)</u>	<u>(9,113)</u>
Operating loss	6	(1,996)	(5,587)	(7,679)
Finance costs	8	<u>(23,914)</u>	<u>(20,633)</u>	<u>(12,819)</u>
Loss and total comprehensive loss for the year		<u><u>(25,910)</u></u>	<u><u>(26,220)</u></u>	<u><u>(20,498)</u></u>

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 March		
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Non-current asset				
Properties for/under development	11	<u>530,027</u>	<u>561,223</u>	<u>—</u>
Current assets				
Properties for sale	11	—	—	564,953
Debtors and prepayments	12	1,900	674	36,923
Cash and bank balances		<u>380</u>	<u>207</u>	<u>134</u>
		<u>2,280</u>	<u>881</u>	<u>602,010</u>
Current liabilities				
Creditors and accruals	13	2,390	1,291	1,544
Amount due to immediate holding company	14	81,221	119,796	187,490
Amount due to a fellow subsidiary	14	27,599	41,994	52,113
Current portion of long-term bank loans	15	<u>23,550</u>	<u>188,400</u>	<u>170,738</u>
		<u>134,760</u>	<u>351,481</u>	<u>411,885</u>
Net current (liabilities)/assets		<u>(132,480)</u>	<u>(350,600)</u>	<u>190,125</u>
Total assets less current liabilities		<u><u>397,547</u></u>	<u><u>210,623</u></u>	<u><u>190,125</u></u>
Equity				
Share capital*	16	—	—	—
Accumulated losses		<u>(108,930)</u>	<u>(135,150)</u>	<u>(155,648)</u>
Shareholder's deficit		<u>(108,930)</u>	<u>(135,150)</u>	<u>(155,648)</u>
Non-current liabilities				
Long-term bank loans	15	188,400	—	—
Loans from a fellow subsidiary	14	<u>318,077</u>	<u>345,773</u>	<u>345,773</u>
		<u>506,477</u>	<u>345,773</u>	<u>345,773</u>
		<u><u>397,547</u></u>	<u><u>210,623</u></u>	<u><u>190,125</u></u>

* Below HK\$1,000

BALANCE SHEETS OF CENTRAL TREASURE

	<i>Note</i>	As at 31 March		
		2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets				
Investments in subsidiaries	<i>10</i>	46,638	46,638	46,638
Amounts due from subsidiaries	<i>10</i>	<u>34,550</u>	<u>73,119</u>	<u>140,804</u>
		<u>81,188</u>	<u>119,757</u>	<u>187,442</u>
Current liabilities				
Accrual		1	1	1
Amount due to immediate holding company	<i>14</i>	<u>81,221</u>	<u>119,796</u>	<u>187,490</u>
		<u>81,222</u>	<u>119,797</u>	<u>187,491</u>
Net current liabilities		<u>(81,222)</u>	<u>(119,797)</u>	<u>(187,491)</u>
Net liabilities		<u>(34)</u>	<u>(40)</u>	<u>(49)</u>
Equity				
Share capital*	<i>16</i>	—	—	—
Accumulated losses	<i>17</i>	<u>(34)</u>	<u>(40)</u>	<u>(49)</u>
Shareholder's deficit		<u>(34)</u>	<u>(40)</u>	<u>(49)</u>

* Below HK\$1,000

CONSOLIDATED CASH FLOW STATEMENTS

	<i>Note</i>	For the year ended 31 March		
		2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash flows from operating activities				
Operating loss		(1,996)	(5,587)	(7,679)
Provision for impairment of trade debtors		—	270	257
Operating loss before working capital changes		(1,996)	(5,317)	(7,422)
Increase in properties for/under development and properties for sale		—	(31,196)	(40,637)
(Increase)/decrease in debtors and prepayments		(390)	956	401
Increase/(decrease) in creditors and accruals		386	(1,099)	253
Cash used in operations		(2,000)	(36,656)	(47,405)
Interest paid		(5,146)	(6,238)	(2,700)
Net cash used in operating activities		(7,146)	(42,894)	(50,105)
Cash flows from financing activities				
Change in amount due from/to immediate holding company	21	198,151	38,575	67,694
Decrease in amount due to a fellow subsidiary	21	(12,329)	—	—
(Decrease)/increase in loans from a fellow subsidiary	21	(155,001)	27,696	—
Repayment of bank loans	21	(23,550)	(23,550)	(17,662)
Net cash from financing activities		7,271	42,721	50,032
Net increase/(decrease) in cash and cash equivalents		125	(173)	(73)
Cash and cash equivalents at the beginning of the year		255	380	207
Cash and cash equivalents at the end of the year*		380	207	134

* Cash and bank balances are denominated in Hong Kong dollar.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018	—	(83,020)	(83,020)
Loss and total comprehensive loss for the year	<u>—</u>	<u>(25,910)</u>	<u>(25,910)</u>
At 31 March 2019	—	(108,930)	(108,930)
Loss and total comprehensive loss for the year	<u>—</u>	<u>(26,220)</u>	<u>(26,220)</u>
At 31 March 2020	—	(135,150)	(135,150)
Loss and total comprehensive loss for the year	<u>—</u>	<u>(20,498)</u>	<u>(20,498)</u>
At 31 March 2021	<u>—</u>	<u>(155,648)</u>	<u>(155,648)</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE CENTRAL TREASURE GROUP

1 GENERAL INFORMATION

Central Treasure Investments Limited (“**Central Treasure**”) and its subsidiaries (collectively as the “**Central Treasure Group**”) are principally engaged in property investment and development and thus there is only one single segment. Central Treasure is a limited liability company incorporated in British Virgin Islands. The address of its registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The address of principal place of business of the Central Treasure Group in Hong Kong is Room 2501, 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong.

The Historical Financial Information of the Central Treasure Group is presented in Hong Kong dollar, which is Central Treasure’s functional and presentation currency, and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of the Historical Financial Information of the Central Treasure Group are set out below, which have been consistently applied to the Track Record Period, unless otherwise stated and are consistent with the group accounting policies of Chuang’s China Investments Limited (the “**Company**”).

(a) Basis of preparation

The Historical Financial Information of the Central Treasure Group has been prepared under the historical cost convention, and in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of the Historical Financial Information of the Central Treasure Group in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Central Treasure Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information of the Central Treasure Group are disclosed in note 4.

(i) *New standards, amendments to standards and new interpretations adopted*

New standards, amendments to standards and new interpretations that are effective during the Track Record Period have been adopted by the Central Treasure Group at their respective effective dates. The adoption of these new standards, amendments to standards and new interpretations has no significant impact on the Central Treasure Group’s results and financial positions.

(ii) *New standard and amendments to standards that are not yet effective*

The following new standard and amendments to standards have been published which are relevant to the Central Treasure Group's operations and are mandatory for the Central Treasure Group's accounting periods beginning on or after 1 April 2021, but have not yet been early adopted by the Central Treasure Group:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current (effective from 1 January 2023)
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective from 1 January 2023)
HKAS 16 (Amendment)	Property, Plant and Equipment — Proceeds before Intended Use (effective from 1 January 2022)
HKAS 37 (Amendment)	Onerous Contracts — Cost of Fulfilling a Contract (effective from 1 January 2022)
HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform — Phase 2 (effective from 1 January 2021)
HKFRS 3 (Amendment)	Reference to the Conceptual Framework (effective from 1 January 2022)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (no mandatory effective date)
HKFRS 16 (Amendment)	Covid-19 — Related Rent Concessions (effective from 1 June 2020)
HKFRS 17	Insurance Contracts (effective from 1 January 2023)
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020 Cycle (effective from 1 January 2022)
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (effective from 1 January 2023)
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination (effective from 1 January 2022)

The Central Treasure Group will adopt the above new standard and amendments to standards as and when they become effective. None of these is expected to have a significant impact on its results of operation and financial positions.

- (iii) At 31 March 2019, 2020 and 2021, the Central Treasure Group had shareholder's deficit of approximately HK\$108,930,000, HK\$135,150,000 and HK\$155,648,000 respectively and net current liabilities of approximately HK\$132,480,000 and HK\$350,600,000 respectively at 31 March 2019 and 2020. As at 31 March 2019, 2020 and 2021, Central Treasure had shareholder's deficit of approximately HK\$34,000, HK\$40,000 and HK\$49,000 respectively, and net current liabilities of approximately HK\$81,222,000, HK\$119,797,000 and HK\$187,491,000 respectively. Chuang's Consortium International Limited ("**Chuang's Consortium**") has confirmed its intention to provide sufficient financial support to the Central Treasure Group and Central Treasure so as to enable the Central Treasure Group and Central Treasure to meet all their liabilities and obligations as and when they fall due and to enable the Central Treasure Group and Central Treasure to continue their businesses for twelve months after the respective years ended 31 March 2019, 2020 and 2021 if the Proposed Transaction is not completed, and to the completion date if the Proposed Transaction is completed. The Company has also confirmed its intention to provide sufficient financial support to the Central Treasure Group and Central Treasure so as to enable the Central Treasure Group and Central Treasure to meet all their liabilities and obligations as and when they fall due and to enable the Central Treasure Group and Central Treasure to continue their businesses from the completion date of the Proposed Transaction up to twelve months after the year ended 31 March 2021 if the Proposed Transaction is completed. Consequently, the Historical Financial Information of the Central Treasure Group has been prepared on a going concern basis.

(b) Consolidation

The Historical Financial Information of the Central Treasure Group includes the financial statements of Central Treasure and its subsidiaries made up to the end of the respective Track Record Period.

(c) Subsidiary

A subsidiary is an entity (including a structured entity) over which Central Treasure has control. Central Treasure controls an entity when Central Treasure is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiary is fully consolidated from the date on which control is transferred to the Central Treasure Group and is de-consolidated from the date that control ceases.

Investment in a subsidiary is carried at cost less impairment losses. The result of the subsidiary is accounted for by Central Treasure on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from the investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Properties for/under development and properties for sale

Properties for/under development are stated at the lower of cost and net realizable value. Costs include right-of-use assets, development and construction expenditures incurred and any borrowing costs capitalized and other direct costs attributable to the development. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses and costs to completion.

Properties for/under development are classified as properties for sale under current assets unless the construction period of the relevant development project is expected to complete beyond normal operating cycle.

(e) Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business. If collection of trade debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognized initially at the amount of consideration that is unconditional and subsequently measured at amortized cost using the effective interest method, less provision for impairment, as the Central Treasure Group holds the trade debtors with the objective to collect the contractual cash flows and those cash flows represent solely payments of principal and interest. The Central Treasure Group's impairment policies are set out in note 2(f). The carrying amount of trade debtors is reduced through the use of an allowance account and the amount of the provision is recognized in the consolidated statements of comprehensive income within administrative and other operating expenses. When a debtor is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited in the consolidated statements of comprehensive income.

(f) Financial assets

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in consolidated statements of comprehensive income and presented in other income together with foreign exchange gains and losses. Impairment losses, if material, are presented as separate line item in the consolidated statements of comprehensive income.

The Central Treasure Group assesses on a forward looking basis the expected credit losses (“ECL”) associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debtors, the Central Treasure Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Central Treasure Group’s other financial assets are carried at amortized cost. The impairment loss of other financial assets carried at amortized cost is measured based on twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Central Treasure Group or the counterparty.

(g) Creditors and accruals

Creditors and accruals are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Creditors and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Creditors and accruals are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(h) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expenses.

(i) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability, including fees and commissions to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognized in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified under current liabilities unless the Central Treasure Group has an unconditional right to defer settlement of the liability for at least twelve months from the balance sheet date.

(j) Share capital

Shares are classified as equity.

(k) Current and deferred taxation

Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Central Treasure Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred taxation assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash and bank balances and deposits with banks with maturity within three months from the date of placement.

(m) Revenue

Revenue comprises the fair value of the consideration received or receivable for goods supplied, and is shown, net of value-added taxes, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

Revenue is recognized when it is probable that future economic benefits will flow to the Central Treasure Group. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Rental income, net of incentives given to lessees, is recognized on a straight-line basis over the period of the respective leases.

(n) Borrowing costs

Interest and related costs on borrowings attributable to the construction or acquisition of an asset that necessarily takes a substantial period of time to complete and prepare for its intended use or sale are capitalized as part of the cost of the assets. All other borrowing costs are charged to the consolidated statements of comprehensive income in the financial period in which they are incurred.

(o) Employee benefits

Contributions to defined contribution retirement schemes such as the Mandatory Provident Fund Scheme in Hong Kong are charged to the consolidated statements of comprehensive income in the financial period to which the contributions relate. The Central Treasure Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee entitlements to annual leaves are recognized when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leaves are not recognized until the time of leaves.

Provisions for bonus entitlements are recognized when the Central Treasure Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Such bonuses are payable within twelve months from the balance sheet date.

(p) Translation of foreign currencies

Translation of foreign currencies transactions included in the Historical Financial Information of the Central Treasure Group are measured using the currency of the primary economic environment in which the Central Treasure Group operates. The Historical Financial Information of the Central Treasure Group is presented in Hong Kong dollar which is also Central Treasure's functional currency and all values are rounded to the nearest thousands (HK\$'000) except when otherwise indicated. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the reporting date are recognized in the consolidated statements of comprehensive income.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The activities of the Central Treasure Group expose it to a variety of financial risks including credit risk, liquidity risk and cash flow interest rate risk. The overall risk management programme of the Central Treasure Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Central Treasure Group.

Financial risk management is carried out by the finance department under policies approved by the board of directors. The board of directors provides principles for overall risk management, as well as written policies covering specific areas.

(i) Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset after deducting any impairment provision in the balance sheets. The Central Treasure Group's exposure to credit risk is primarily attributable to debtors and deposits with banks. The Central Treasure Group has credit policies in place and exposure to credit risk is monitored on an ongoing basis.

The Central Treasure Group's exposure to credit risk arising from debtors is set out in note 12. The Central Treasure Group applies the HKFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade debtors are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the debtors to settle the outstanding balance.

The Central Treasure Group manages its deposits with banks by monitoring credit ratings and only places deposits with banks with no history of defaults.

Rentals in respect of properties are payable in advance by tenants in accordance with the lease agreements. The Central Treasure Group has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases.

In addition, the Central Treasure Group has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Central Treasure Group reviews regularly the recoverable amount of each individual debtor to ensure that adequate impairment provisions are made for irrecoverable amounts. The Central Treasure Group has no significant concentrations of credit risk as the customers are widely dispersed. Management considered the ECL allowance was immaterial.

(ii) Liquidity risk

Liquidity risk is the risk that the Central Treasure Group is unable to meet its current obligations when they fall due. The Central Treasure Group has put in place a policy of obtaining long-term banking facilities to match its long-term investments. Apart from the bank loans, the Central Treasure Group obtains interest free funding from its immediate holding company and interest-bearing loans from a fellow subsidiary for financing its operations.

The Central Treasure Group and Central Treasure have obtained confirmation from Chuang's Consortium that Chuang's Consortium will provide sufficient financial support to the Central Treasure Group and Central Treasure so as to enable the Central Treasure Group and Central Treasure to meet all their liabilities and obligations as and when they fall due and to

enable the Central Treasure Group and Central Treasure to continue their businesses for twelve months after the respective years ended 31 March 2019, 2020 and 2021 respectively if the Proposed Transaction is not completed, and to the completion date if the Proposed Transaction is completed. The Central Treasure Group and Central Treasure have also obtained confirmation from the Company that it will provide sufficient financial support to the Central Treasure Group and Central Treasure so as to enable the Central Treasure Group and Central Treasure to meet all their liabilities and obligations as and when they fall due and to enable the Central Treasure Group and Central Treasure to continue their businesses from the completion date up to twelve months after the year ended 31 March 2021 if the Proposed Transaction is completed.

The tables below analyse the Central Treasure Group's and Central Treasure's financial liabilities that will be settled in relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows including interest payment.

The Central Treasure Group

	Within the first year HK\$'000	Within the second year HK\$'000	Within the third to fifth years HK\$'000	After the fifth year HK\$'000	Total HK\$'000
31 March 2019					
Creditors and accruals	2,390	—	—	—	2,390
Amount due to immediate holding company	81,221	—	—	—	81,221
Amount due to a fellow subsidiary	27,599	—	—	—	27,599
Long-term bank loans	31,369	193,661	—	—	225,030
Loans from a fellow subsidiary	12,714	12,714	38,142	330,791	394,361
	<u>155,293</u>	<u>206,375</u>	<u>38,142</u>	<u>330,791</u>	<u>730,601</u>
31 March 2020					
Creditors and accruals	1,291	—	—	—	1,291
Amount due to immediate holding company	119,796	—	—	—	119,796
Amount due to a fellow subsidiary	41,994	—	—	—	41,994
Long-term bank loans	192,922	—	—	—	192,922
Loans from a fellow subsidiary	11,349	11,349	34,047	357,122	413,867
	<u>367,352</u>	<u>11,349</u>	<u>34,047</u>	<u>357,122</u>	<u>769,870</u>
31 March 2021					
Creditors and accruals	1,544	—	—	—	1,544
Amount due to immediate holding company (note 14)	187,490	—	—	—	187,490
Amount due to a fellow subsidiary (note 14)	52,113	—	—	—	52,113
Long-term bank loans (note 15)	171,276	—	—	—	171,276
Loans from a fellow subsidiary (note 14)	8,123	8,123	24,369	353,896	394,511
	<u>420,546</u>	<u>8,123</u>	<u>24,369</u>	<u>353,896</u>	<u>806,934</u>

Central Treasure

	Within the first year HK\$'000
31 March 2019	
Accrual	1
Amount due to immediate holding company	<u>81,221</u>
	<u>81,222</u>
31 March 2020	
Accrual	1
Amount due to immediate holding company	<u>119,796</u>
	<u>119,797</u>
31 March 2021	
Accrual	1
Amount due to immediate holding company (<i>note 14</i>)	<u>187,490</u>
	<u>187,491</u>

(iii) Cash flow interest rate risk

Interest rate risk is the risk that the position of the Central Treasure Group may be adversely affected by the changes in market interest rate. The policy of the Central Treasure Group involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise.

The interest rate risk of the Central Treasure Group mainly arises from interest-bearing bank loans and loans from a fellow subsidiary. The loans issued at variable rates expose the Central Treasure Group to cash flow interest rate risk. The Central Treasure Group has not hedged its cash flow interest rate risk. The board of directors monitors the Central Treasure Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

As at 31 March 2019, 2020 and 2021, if interest rates had been 0.5% higher/lower with all other variables held constant, the pre-tax result of the Central Treasure Group would have increased/decreased by approximately HK\$3,096,000, HK\$2,671,000 and HK\$2,626,000 respectively.

(b) Capital risk management

The Central Treasure Group's objectives when managing capital are to safeguard the Central Treasure Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Central Treasure Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as a percentage of bank loans over total assets of the Central Treasure Group. The gearing ratio as at 31 March 2019, 2020 and 2021 were 39.8%, 33.5% and 28.4% respectively.

(c) Fair value estimation

The fair values of long-term bank loans and loans from a fellow subsidiary are estimated using the expected future payments discounted at market interest rates. The carrying values of the long-term bank loans and loans from a fellow subsidiary approximate their fair values since they are floating interest rate loans.

The carrying values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, including debtors, cash and bank balances, creditors and accruals, amounts due to immediate holding company and a fellow subsidiary and current portion of long-term bank loans approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the Historical Financial Information of the Central Treasure Group are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Central Treasure Group makes estimates and assumptions concerning the future. The estimates and assumptions that may have a significant effect on the carrying values of assets and liabilities are discussed below:

Recoverability of properties for/under development and properties for sale

The Central Treasure Group assesses the carrying values of properties for/under development and properties for sale according to their estimated recoverable amounts or net realizable values based on assessment of the realizability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision for impairment is made when events or changes in circumstances indicate that the carrying values may not be realized. The assessment requires the use of judgment and estimates.

For recoverability assessment purpose, the valuations of properties for/under development and properties for sale were performed in accordance with “The HKIS Valuation Standards 2017” and “The HKIS Valuation Standards 2020” published by the Hong Kong Institute of Surveyors respectively.

5 REVENUE

Revenue recognized during the Track Record Period are as follows:

	For the year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from other source			
Rental income	<u>7,526</u>	<u>6,499</u>	<u>1,667</u>

6 OPERATING LOSS

Operating loss is stated after charging the following:

	For the year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	52	52	102
Corporate costs charged by an intermediate holding company (<i>note</i>)	7,813	11,081	7,960
Provision for impairment of trade debtors	—	270	257
Outgoings in respect of properties	<u>453</u>	<u>579</u>	<u>233</u>

Note: For the years ended 31 March 2019, 2020 and 2021, corporate costs, including staff costs of HK\$2,419,000, HK\$3,793,000 and HK\$2,550,000 respectively, are shared among certain fellow subsidiaries and the Central Treasure Group on an actual basis, and management service fee of nil, HK\$281,000 and HK\$194,000 respectively were charged by an intermediate holding company (*note* 20).

7 BENEFITS AND INTERESTS OF DIRECTORS**(a) Directors' emoluments**

- (i) During the Track Record Period, there were no emoluments, retirement benefits, payments or benefits paid or receivable in respect of a person's services as a director, and directors' other services in connection with the management of the affairs of Central Treasure and its subsidiaries undertaking.
- (ii) During the Track Record Period, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (iii) There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Central Treasure Group's business to which Central Treasure was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the respective Track Record Period or at any time during the Track Record Period.

8 FINANCE COSTS

	For the year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on bank loans	5,146	6,238	2,700
Interest expenses on loans from a fellow subsidiary (<i>notes 14 and 20</i>)	<u>18,768</u>	<u>14,395</u>	<u>10,119</u>
	<u>23,914</u>	<u>20,633</u>	<u>12,819</u>

9 TAXATION

No provision for Hong Kong profits tax has been made as the Central Treasure Group had no estimated assessable profit for the Track Record Period.

The tax on the Central Treasure Group's loss for the year differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	For the year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	<u>(25,910)</u>	<u>(26,220)</u>	<u>(20,498)</u>
Tax credit at the rate of 16.5%	4,275	4,326	3,382
Expenses not deductible for taxation purpose	(1)	(1)	(1)
Tax losses not recognized	<u>(4,274)</u>	<u>(4,325)</u>	<u>(3,381)</u>
Taxation	<u>—</u>	<u>—</u>	<u>—</u>

10 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	As at 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments in subsidiaries, at cost	<u>46,638</u>	<u>46,638</u>	<u>46,638</u>

	As at 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from subsidiaries	<u>34,550</u>	<u>73,119</u>	<u>140,804</u>

The amounts due from subsidiaries are denominated in Hong Kong dollar, unsecured, interest free and receivable on demand. The amount will not be demand for repayment within next twelve months from each balance sheet dates.

Particulars of the subsidiaries as at 31 March 2019, 2020 and 2021 are as follows:

Name	Place of incorporation/ operation	Issued capital	Parentage of equity held	Principal activities
Asian Land Limited	Hong Kong	HK\$1 with 1 share	100%	Property investment and development
Favour Day Limited	British Virgin Islands/ Hong Kong	US\$1 with 1 share	100%	Property investment and development

11 PROPERTIES FOR/UNDER DEVELOPMENT AND PROPERTIES FOR SALE

	For the year ended 31 March		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	530,027	530,027	561,223
Additions	—	31,196	40,637
Transfer to debtors and prepayments (<i>note 12</i>)	—	—	(36,907)
	<u>530,027</u>	<u>561,223</u>	<u>564,953</u>
At the end of the year	<u>530,027</u>	<u>561,223</u>	<u>564,953</u>
Presentation (<i>note c</i>):			
— Properties for/under development under non-current asset	530,027	561,223	—
— Properties for sale under current assets	—	—	564,953
	<u>—</u>	<u>—</u>	<u>564,953</u>

- (a) Properties for/under development and properties for sale of the Central Treasure Group are located in Hong Kong.
- (b) As at 31 March 2019, 2020 and 2021, properties for/under development and properties for sale of HK\$530,027,000, HK\$530,027,000 and HK\$564,953,000 respectively had been pledged as securities for the bank borrowing facilities granted to the Central Treasure Group (*note 15*).
- (c) During the year ended 31 March 2021, the properties were reclassified to properties for sale under current assets as the construction period of the property project is expected to be completed within normal operating cycle.
- (d) As at 31 March 2021, properties for sale of HK\$564,953,000 are expected to be completed after more than twelve months from balance sheet date.

12 DEBTORS AND PREPAYMENTS

	As at 31 March		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
Trade debtors	264	401	—
Stamp duty receivable (<i>note 11</i>)	—	—	36,907
Prepayments	157	67	—
Deposits and other receivables	1,479	206	16
	<u>1,900</u>	<u>674</u>	<u>36,923</u>

Rental income is received in advance. The aging analysis of the trade debtors based on the dates of invoices is as follows:

	As at 31 March		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
Below 30 days	62	142	—
31 to 60 days	39	138	—
61 to 90 days	31	25	—
Over 90 days	132	96	—
	<u>264</u>	<u>401</u>	<u>—</u>

The Central Treasure Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade debtors. Trade debtors are grouped based on shared credit risk characteristics and the days past due is the same as the one shown above.

The Central Treasure Group determines the provision for expected credit losses by grouping together trade debtors with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade debtors relating to amounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

Movements on the provision for impairment of trade debtors during the Track Record Period are as follows:

	For the year ended 31 March		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	—	—	270
Provision for impairment loss	—	270	257
Write-off of trade debtors	—	—	(527)
	<u>—</u>	<u>270</u>	<u>—</u>

Stamp duty receivable of HK\$36,907,000 represents the refundable stamp duty paid by the Central Treasure Group upon acquisition of certain development properties in Hong Kong in prior years. It was transferred from properties for/under development and properties for sale during the year ended 31 March 2021 as the refundable stamp duty was expected to be received within the normal operating cycle.

The maximum exposure to credit risk at the balance sheet dates was the carrying values of each class of receivable mentioned above. Debtors and prepayments are denominated in Hong Kong dollar.

13 CREDITORS AND ACCRUALS

	As at 31 March		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
Trade creditors	—	114	—
Other creditors and accrued expenses	708	296	1,516
Tenants' deposits	1,682	881	28
	<u>2,390</u>	<u>1,291</u>	<u>1,544</u>

The aging analysis of the trade creditors based on the dates of suppliers' invoices is as follows:

	As at 31 March		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
Over 60 days	—	114	—

As at 31 March 2019, 2020 and 2021, other creditors and accrued expenses of the Central Treasure Group include the construction cost payables and accruals of nil, nil and HK\$1,343,000 for the property project of the Central Treasure Group.

Creditors and accruals are denominated in Hong Kong dollar.

14 LOANS FROM A FELLOW SUBSIDIARY AND AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY AND A FELLOW SUBSIDIARY

Loans from a fellow subsidiary are unsecured, interest-bearing at the prevailing market rate and not repayable within the next twelve months from each balance sheet dates. The amounts are denominated in Hong Kong dollar.

The amounts due to immediate holding company and a fellow subsidiary are unsecured, interest free and repayable on demand. The amounts are denominated in Hong Kong dollar.

Subsequent to 31 March 2021, loans from a fellow subsidiary and amount due to a fellow subsidiary were fully repaid by funding from immediate holding company.

15 LONG-TERM BANK LOANS

	As at 31 March		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
Secured bank loans	211,950	188,400	170,738
Current portion included in current liabilities			
Portion due within one year	(23,550)	(188,400)	(170,738)
	<u>188,400</u>	<u>—</u>	<u>—</u>

The bank loans are secured by the property for/under development and properties for sale (note 11) and an assignment of the rental income thereon. They are also secured by corporate guarantee given by Chuang's Consortium. As at 31 March 2019, 2020 and 2021, the bank loans are denominated in Hong Kong dollar with effective interest rates at approximately 3.91%, 3.20% and 1.26% per annum respectively. The carrying amounts of bank loans approximate their fair values which are within level 2 of the fair value hierarchy.

The bank loans are repayable in the following periods based on the agreed scheduled repayment dates set out in the loan agreements:

	As at 31 March		
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Within the first year	23,550	188,400	170,738
Within the second year	<u>188,400</u>	<u>—</u>	<u>—</u>
	<u>211,950</u>	<u>188,400</u>	<u>170,738</u>

As at 31 March 2019, 2020 and 2021, the exposure of the bank loans to interest rate change and the contractual repricing date were less than six months.

Subsequent to 31 March 2021 and before the date of the Sale and Purchase Agreement, the Central Treasure Group has renewed the existing bank loans with total amount of HK\$446.8 million for three years which included an additional standby banking facilities for the project cost of the redevelopment.

16 SHARE CAPITAL

	As at 31 March		
	2019 HK\$	2020 HK\$	2021 HK\$
Issued and fully paid: 1 share	<u>8</u>	<u>8</u>	<u>8</u>

17 RESERVE MOVEMENTS OF CENTRAL TREASURE

	Accumulated losses HK\$'000
At 1 April 2018	(27)
Total comprehensive loss for the year	<u>(7)</u>
At 31 March 2019	(34)
Total comprehensive loss for the year	<u>(6)</u>
At 31 March 2020	(40)
Total comprehensive loss for the year	<u>(9)</u>
At 31 March 2021	<u>(49)</u>

18 DEFERRED TAXATION

The movements in deferred taxation assets and liabilities of the Central Treasure Group (prior to offsetting of balances within the same taxation jurisdiction) during the Track Record Period are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018	446	(446)	—
Charged/(credited) to consolidated statement of comprehensive income	<u>127</u>	<u>(127)</u>	<u>—</u>
At 31 March 2019	573	(573)	—
Charged/(credited) to consolidated statement of comprehensive income	<u>127</u>	<u>(127)</u>	<u>—</u>
At 31 March 2020	700	(700)	—
Charged/(credited) to consolidated statement of comprehensive income	<u>127</u>	<u>(127)</u>	<u>—</u>
At 31 March 2021	<u>827</u>	<u>(827)</u>	<u>—</u>

As at 31 March 2019, 2020 and 2021, deferred taxation assets of approximately HK\$10,332,000, HK\$14,657,000 and HK\$18,038,000 arising from unused tax losses of approximately HK\$62,617,000, HK\$88,830,000 and HK\$109,320,000 have not been recognized in the Historical Financial Information of the Central Treasure Group. These tax losses have no expiry dates.

19 OPERATING LEASE RENTAL RECEIVABLE

The future aggregate minimum lease rental income under non-cancellable operating leases in respect of the properties are receivable in the following periods:

	As at 31 March		
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within the first year	4,593	1,980	—
Within the second year	<u>1,268</u>	<u>45</u>	<u>—</u>
	<u>5,861</u>	<u>2,025</u>	<u>—</u>

20 RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in the Historical Financial Information of the Central Treasure Group, the Central Treasure Group undertook the following transactions with an intermediate holding company and a fellow subsidiary during the Track Record Period:

	For the year ended 31 March		
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Management service fee to an intermediate holding company (<i>note</i>)	—	281	194
Interest expenses on loans from a fellow subsidiary (<i>note 14</i>)	18,768	14,395	10,119

Note: For the years ended 31 March 2020 and 2021, the Central Treasure Group paid management service fee to an intermediate holding company for the management services rendered. The terms of the fee were determined by reference to the prevailing market rate.

All the above related party transactions will be ceased upon completion of the Proposed Transaction.

21 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank loans		Loans from a fellow subsidiary HK\$'000	Amount due to a fellow subsidiary HK\$'000	Amount due (from)/to immediate holding company HK\$'000	Total HK\$'000
	Non-current HK\$'000	Current HK\$'000				
At 1 April 2018	211,950	23,550	473,078	21,160	(116,930)	612,808
Cash inflows	—	—	—	—	198,151	198,151
Cash outflows	—	(23,550)	(155,001)	(12,329)	—	(190,880)
Non-cash changes:						
Reclassifications	(23,550)	23,550	—	—	—	—
Interest expenses on loans from a fellow subsidiary	—	—	—	18,768	—	18,768
At 31 March 2019	188,400	23,550	318,077	27,599	81,221	638,847
Cash inflows	—	—	27,696	—	38,575	66,271
Cash outflows	—	(23,550)	—	—	—	(23,550)
Non-cash changes:						
Reclassifications	(188,400)	188,400	—	—	—	—
Interest expenses on loans from a fellow subsidiary	—	—	—	14,395	—	14,395
At 31 March 2020	—	188,400	345,773	41,994	119,796	695,963
Cash inflows	—	—	—	—	67,694	67,694
Cash outflows	—	(17,662)	—	—	—	(17,662)
Non-cash change:						
Interest expenses on loans from a fellow subsidiary	—	—	—	10,119	—	10,119
At 31 March 2021	—	170,738	345,773	52,113	187,490	756,114

22 CONTINGENT LIABILITIES AND GUARANTEES

As at 31 March 2019, 2020 and 2021, the Central Treasure Group had no contingent liabilities and guarantees.

23 CAPITAL COMMITMENT

	As at 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for in respect of property development expenditure	<u>—</u>	<u>—</u>	<u>10,667</u>

24 HOLDING COMPANIES

The Directors regard Energy Hero Limited, a company incorporated in British Virgin Islands, as immediate holding company, and Chuang's Consortium, a company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited, as the ultimate holding company.

25 SUBSEQUENT EVENTS

Saved as disclosed in Historical Financial Information of the Central Treasure Group, there have been no significant events subsequent to 31 March 2021 and up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Central Treasure or its subsidiaries in respect of any period subsequent to 31 March 2021 and up to the date of this report. No dividend or distribution has been declared or made by Central Treasure or its subsidiaries in respect of any period subsequent to 31 March 2021.

The following is the text of a report set out on pages IIB-1 to IIB-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHUANG'S CHINA INVESTMENTS LIMITED

Introduction

We report on the historical financial information of Easy Success Enterprises Limited (“**Easy Success**”) set out on pages IIB-4 to IIB-26, which comprises the balance sheets as at 31 March 2019, 2020 and 2021, and the statements of comprehensive income, cash flows and changes in equity for each of the years then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information of Easy Success**”). The Historical Financial Information of Easy Success set out on pages IIB-4 to IIB-26 forms an integral part of this report, which has been prepared for inclusion in the circular of Chuang's China Investments Limited (the “**Company**”) dated 20 August 2021 (the “**Circular**”) in connection with the proposed acquisition of the entire equity interest in Easy Success by the Company (the “**Proposed Transaction**”).

Directors' responsibility for the Historical Financial Information of Easy Success

The directors of the Company are responsible for the preparation of the Historical Financial Information of Easy Success that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of Easy Success, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information of Easy Success that is free from material misstatement, whether due to fraud or error.

The Historical Financial Information of Easy Success is prepared by the directors of the Company based on the previously issued financial statements of Easy Success for the Track Record Period. The directors of Easy Success are responsible for the preparation of Easy Success's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and for such internal control as the directors determine is necessary to enable the preparation of Easy Success's financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information of Easy Success and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of Easy Success is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of Easy Success. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information of Easy Success, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of the Historical Financial Information of Easy Success that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of Easy Success in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information of Easy Success.

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

Opinion

In our opinion, the Historical Financial Information of Easy Success gives, for the purposes of the accountant's report, a true and fair view of the financial position of Easy Success as at 31 March 2019, 2020 and 2021 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information of Easy Success.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited**Adjustments**

In preparing the Historical Financial Information of Easy Success, no adjustments to the previously issued financial statements of Easy Success have been made.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong, 20 August 2021

I HISTORICAL FINANCIAL INFORMATION OF EASY SUCCESS

Set out below is the Historical Financial Information of Easy Success which forms an integral part of this accountant's report.

The previously issued financial statements of Easy Success, on which the Historical Financial Information of Easy Success is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information of Easy Success is presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	For the year ended 31 March		
		2019	2020	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues	5	7,498	8,171	8,675
Cost of sales		<u>(1,773)</u>	<u>(3,268)</u>	<u>(2,291)</u>
Gross profit		5,725	4,903	6,384
Other income and net loss	6	12	2	(1,095)
Administrative and other operating expenses		(10,956)	(10,220)	(10,949)
Change in fair value of an investment property	11	<u>108,000</u>	<u>(20,000)</u>	<u>(4,000)</u>
Operating profit/(loss)	7	102,781	(25,315)	(9,660)
Finance costs	9	<u>(9,409)</u>	<u>(10,941)</u>	<u>(5,935)</u>
Profit/(loss) and total comprehensive income/ (loss) for the year		<u><u>93,372</u></u>	<u><u>(36,256)</u></u>	<u><u>(15,595)</u></u>

BALANCE SHEETS

	Note	As at 31 March		
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Non-current asset				
Investment property	11	<u>450,000</u>	<u>430,000</u>	<u>426,000</u>
Current assets				
Debtors and prepayments	12	2,277	2,526	310
Cash and bank balances		<u>1,076</u>	<u>663</u>	<u>2,234</u>
		<u>3,353</u>	<u>3,189</u>	<u>2,544</u>
Current liabilities				
Creditors and accruals	13	2,508	2,924	2,627
Amount due to immediate holding company	14	33,811	52,756	66,220
Amount due to a fellow subsidiary	14	3,590	6,171	7,802
Current portion of long-term bank loans	15	<u>5,400</u>	<u>5,400</u>	<u>5,412</u>
		<u>45,309</u>	<u>67,251</u>	<u>82,061</u>
Net current liabilities		<u>(41,956)</u>	<u>(64,062)</u>	<u>(79,517)</u>
Total assets less current liabilities		<u>408,044</u>	<u>365,938</u>	<u>346,483</u>
Equity				
Share capital*	16	—	—	—
Retained profits		<u>96,272</u>	<u>60,016</u>	<u>44,421</u>
Total equity		<u>96,272</u>	<u>60,016</u>	<u>44,421</u>
Non-current liabilities				
Long-term bank loans	15	256,050	250,200	246,340
Loan from a fellow subsidiary	14	<u>55,722</u>	<u>55,722</u>	<u>55,722</u>
		<u>311,772</u>	<u>305,922</u>	<u>302,062</u>
		<u>408,044</u>	<u>365,938</u>	<u>346,483</u>

* Below HK\$1,000

CASH FLOW STATEMENTS

	Note	For the year ended 31 March		
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Cash flows from operating activities				
Operating profit/(loss)		102,781	(25,315)	(9,660)
Exchange loss	20	—	—	1,102
Change in fair value of an investment property		(108,000)	20,000	4,000
Operating loss before working capital changes		(5,219)	(5,315)	(4,558)
(Increase)/decrease in debtors and prepayments		(989)	(249)	2,216
Increase/(decrease) in creditors and accruals		851	416	(297)
Cash used in operations		(5,357)	(5,148)	(2,639)
Interest paid		(6,892)	(8,360)	(4,304)
Net cash used in operating activities		(12,249)	(13,508)	(6,943)
Cash flows from financing activities				
Increase in amount due to immediate holding company	20	18,079	18,945	13,464
Repayment of bank loan	20	(5,400)	(5,850)	(4,950)
Net cash from financing activities		12,679	13,095	8,514
Net increase/(decrease) in cash and cash equivalents		430	(413)	1,571
Cash and cash equivalents at the beginning of the year		646	1,076	663
Cash and cash equivalents at the end of the year*		1,076	663	2,234

* Cash and bank balances are denominated in Hong Kong dollar.

STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018	—	2,900	2,900
Profit and total comprehensive income for the year	<u>—</u>	<u>93,372</u>	<u>93,372</u>
At 31 March 2019	—	96,272	96,272
Loss and total comprehensive loss for the year	<u>—</u>	<u>(36,256)</u>	<u>(36,256)</u>
At 31 March 2020	—	60,016	60,016
Loss and total comprehensive loss for the year	<u>—</u>	<u>(15,595)</u>	<u>(15,595)</u>
At 31 March 2021	<u>—</u>	<u>44,421</u>	<u>44,421</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF EASY SUCCESS**1 GENERAL INFORMATION**

Easy Success Enterprises Limited (“**Easy Success**”) is principally engaged in property investment and thus there is only one single segment. Easy Success is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 2501, 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong.

The Historical Financial Information of Easy Success is presented in Hong Kong dollar, which is Easy Success’ functional and presentation currency and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of the Historical Financial Information of Easy Success are set out below, which have been consistently applied to the Track Record Period, unless otherwise stated and are consistent with the group accounting policies of Chuang’s China Investments Limited (the “**Company**”).

(a) Basis of preparation

The Historical Financial Information of Easy Success has been prepared under the historical cost convention, as modified by the revaluation of investment property at fair value, and in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of the Historical Financial Information of Easy Success in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of Easy Success. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information of Easy Success are disclosed in note 4.

(i) New standards, amendments to standards and new interpretations adopted

New standards, amendments to standards and new interpretations that are effective during the Track Record Period have been adopted by Easy Success at their respective effective dates. The adoption of these new standards, amendments to standards and new interpretations has no significant impact on the Easy Success’ results and financial positions.

(ii) *New standard and amendments to standards that are not yet effective*

The following new standard and amendments to standards have been published which are relevant to Easy Success' operations and are mandatory for Easy Success' accounting periods beginning on or after 1 April 2021, but have not yet been early adopted by Easy Success:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current (effective from 1 January 2023)
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective from 1 January 2023)
HKAS 16 (Amendment)	Property, Plant and Equipment — Proceeds before Intended Use (effective from 1 January 2022)
HKAS 37 (Amendment)	Onerous Contracts — Cost of Fulfilling a Contract (effective from 1 January 2022)
HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform — Phase 2 (effective from 1 January 2021)
HKFRS 3 (Amendment)	Reference to the Conceptual Framework (effective from 1 January 2022)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (no mandatory effective date)
HKFRS 16 (Amendment)	Covid-19 — Related Rent Concessions (effective from 1 June 2020)
HKFRS 17	Insurance Contracts (effective from 1 January 2023)
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020 Cycle (effective from 1 January 2022)
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (effective from 1 January 2023)
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination (effective from 1 January 2022)

Easy Success will adopt the above new standard and amendments to standards as and when they become effective. None of these is expected to have a significant impact on its results of operation and financial positions.

(iii) At 31 March 2019, 2020 and 2021, Easy Success had net current liabilities of approximately HK\$41,956,000, HK\$64,062,000 and HK\$79,517,000 respectively. Chuang's Consortium International Limited (“**Chuang's Consortium**”) has confirmed its intention to provide sufficient financial support to Easy Success so as to enable Easy Success to meet all its liabilities and obligations as and when they fall due and to enable Easy Success to continue its businesses for twelve months after the respective years ended 31 March 2019, 2020 and 2021 if the Proposed Transaction is not completed, and to the completion date if the Proposed Transaction is completed. The Company has also confirmed its intention to provide sufficient financial support to Easy Success so as to enable Easy Success to meet all its liabilities and obligations as and when they fall due and to enable Easy Success to continue its businesses from the completion date of the Proposed Transaction up to twelve months after the year ended 31 March 2021 if the Proposed Transaction is completed. Consequently, the Historical Financial Information of Easy Success has been prepared on a going concern basis.

(iv) The financial information relating to the years ended 31 March 2019, 2020 and 2021 included in this Historical Financial Information of Easy Success does not constitute Easy Success' 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 Easy Success 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).

Easy Success' auditor has reported on the financial statements of Easy Success for the years ended 31 March 2019, 2020 and 2021. 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).

(b) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by Easy Success, is classified as investment property. All leases that meet the definition of investment properties are classified as investment properties and measured at fair value.

Investment property is measured initially at its cost, including related transaction costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalized as part of its cost. Borrowing costs are capitalized while acquisition or construction is actively underway and will be ceased once the asset is substantially completed, or suspended if the development of the asset is suspended.

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), and any initial direct costs incurred by Easy Success.

After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. This valuation forms the basis for the carrying amount in the Historical Financial Information of Easy Success.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar constructions
- Status of construction permits

The fair value of investment property reflects the market values of comparable properties which have been recently transacted, adjusted for any qualitative differences that may affect the price such as location, floor area, quality and the finishes of the building and other related factors.

Subsequent expenditure is capitalized to the carrying amount of the property only when it is probable that future economic benefits associated with the property will flow to Easy Success and the cost can be measured reliably. All other repairs and maintenance costs are expensed in the statements of comprehensive income during the financial period in which they are incurred.

Change in fair value of investment property is recognized in the statements of comprehensive income. Investment property is derecognized either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

(c) Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business. If collection of trade debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors are recognized initially at the amount of consideration that is unconditional and subsequently measured at amortized cost using the effective interest method, less provision for impairment, as Easy Success holds the trade debtors with the objective to collect the contractual cash flows and those cash flows represent solely payments of principal and interest. Easy Success's impairment policies are set out in note 2(d). The carrying amount of trade debtors is reduced through the use of an allowance account and the amount of the provision is recognized in the statements of comprehensive income within administrative and other operating expenses. When a debtor is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited in the statements of comprehensive income.

(d) Financial assets

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statements of comprehensive income and presented in other income together with foreign exchange gains and losses. Impairment losses, if material, are presented as separate line item in the statements of comprehensive income.

Easy Success assesses on a forward looking basis the expected credit losses (“ECL”) associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debtors, Easy Success applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Easy Success' other financial assets are carried at amortized cost. The impairment loss of other financial assets carried at amortized cost is measured based on twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

Financial assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Easy Success or the counterparty.

(e) Creditors and accruals

Creditors and accruals are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Creditors and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Creditors and accruals are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(f) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expenses.

(g) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability, including fees and commissions to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognized in the statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified under current liabilities unless Easy Success has an unconditional right to defer settlement of the liability for at least twelve months from the balance sheet date.

(h) Share capital

Ordinary shares are classified as equity.

(i) Current and deferred taxation

Tax is recognized in the statements of comprehensive income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where Easy Success operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred taxation assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash and bank balances and deposits with banks with maturity within three months from the date of placement.

(k) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for goods supplied, and is shown, net of value-added taxes, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

Revenue is recognized when it is probable that future economic benefits will flow to Easy Success. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Rental income, net of incentives given to lessees, is recognized on a straight-line basis over the period of the respective leases.

Management fees are recognized when the services are rendered.

(l) Borrowing costs

Interest and related costs on borrowings attributable to the construction or acquisition of an asset that necessarily takes a substantial period of time to complete and prepare for its intended use or sale are capitalized as part of the cost of the assets. All other borrowing costs are charged to the statements of comprehensive income in the financial period in which they are incurred.

(m) Employee benefits

Contributions to defined contribution retirement schemes such as the Mandatory Provident Fund Scheme in Hong Kong are charged to the statements of comprehensive income in the financial period to which the contributions relate. Easy Success has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee entitlements to annual leaves are recognized when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leaves are not recognized until the time of leaves.

Provisions for bonus entitlements are recognized when Easy Success has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Such bonuses are payable within twelve months from the balance sheet date.

(n) Translation of foreign currencies

Translation of foreign currencies transactions included in the Historical Financial Information of Easy Success are measured using the currency of the primary economic environment in which Easy Success operates. The Historical Financial Information of Easy Success is presented in Hong Kong dollar which is also Easy Success' functional currency and all values are rounded to the nearest thousands (HK\$'000) except when otherwise indicated. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the reporting date are recognized in the statements of comprehensive income.

3 FINANCIAL RISK MANAGEMENT**(a) Financial risk factors**

The activities of Easy Success expose it to a variety of financial risks including credit risk, liquidity risk, cash flow interest rate risk and foreign exchange risk. The overall risk management programme of Easy Success focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of Easy Success.

Financial risk management is carried out by the finance department under policies approved by the board of directors. The board of directors provides principles for overall risk management, as well as written policies covering specific areas.

(i) Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset after deducting any impairment provision in the balance sheets. Easy Success' exposure to credit risk is primarily attributable to debtors and deposits with banks. Easy Success has credit policies in place and exposure to credit risk is monitored on an ongoing basis.

Easy Success' exposure to credit risk arising from debtors is set out in note 12. Easy Success applies the HKFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

To measure the expected credit losses, trade debtors are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the debtors to settle the outstanding balance.

Easy Success manages its deposits with banks by monitoring credit ratings and only places deposits with banks with no history of defaults.

Rentals and management fees in respect of investment property are payable in advance by tenants in accordance with the lease agreements. Easy Success has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases.

In addition, Easy Success has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. Easy Success reviews regularly the recoverable amount of each individual debtor to ensure that adequate impairment provisions are made for irrecoverable amounts. Easy Success has no significant concentrations of credit risk as the customers are widely dispersed. Management considered the ECL allowance was immaterial.

(ii) *Liquidity risk*

Liquidity risk is the risk that Easy Success is unable to meet its current obligations when they fall due. Easy Success has put in place a policy of obtaining long-term banking facilities to match its long-term investments. Apart from the bank loans, Easy Success obtains interest free funding from its immediate holding company and interest-bearing loan from a fellow subsidiary for financing its operations.

Easy Success has obtained confirmation from Chuang's Consortium that Chuang's Consortium will provide sufficient financial support to Easy Success so as to enable the Easy Success to meet all its liabilities and obligations as and when they fall due and to enable Easy Success to continue its businesses for twelve months after the respective years ended 31 March 2019, 2020 and 2021 respectively if the Proposed Transaction is not completed, and to the completion date if the Proposed Transaction is completed. Easy Success has also obtained confirmation from the Company that it will provide sufficient financial support to Easy Success so as to enable Easy Success to meet all its liabilities and obligations as and when they fall due and to enable Easy Success to continue its businesses from the completion date up to twelve months after the year ended 31 March 2021 if the Proposed Transaction is completed.

The table below analyses Easy Success' financial liabilities that will be settled in relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest payment.

	Within the first year	Within the second year	Within the third to fifth years	After the fifth year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2019					
Creditors and accruals	2,508	—	—	—	2,508
Amount due to immediate holding company	33,811	—	—	—	33,811
Amount due to a fellow subsidiary	3,590	—	—	—	3,590
Long-term bank loans	12,507	12,355	260,246	—	285,108
Loan from a fellow subsidiary	2,842	2,842	8,525	58,564	72,773
	<u>55,258</u>	<u>15,197</u>	<u>268,771</u>	<u>58,564</u>	<u>397,790</u>
31 March 2020					
Creditors and accruals	2,924	—	—	—	2,924
Amount due to immediate holding company	52,756	—	—	—	52,756
Amount due to a fellow subsidiary	6,171	—	—	—	6,171
Long-term bank loans	12,216	12,063	247,319	—	271,598
Loan from a fellow subsidiary	2,979	2,979	8,937	58,701	73,596
	<u>77,046</u>	<u>15,042</u>	<u>256,256</u>	<u>58,701</u>	<u>407,045</u>

	Within the first year HK\$'000	Within the second year HK\$'000	Within the third to fifth years HK\$'000	After the fifth year HK\$'000	Total HK\$'000
31 March 2021					
Creditors and accruals	2,627	—	—	—	2,627
Amount due to immediate holding company (note 14)	66,220	—	—	—	66,220
Amount due to a fellow subsidiary (note 14)	7,802	—	—	—	7,802
Long-term bank loans	8,549	247,374	—	—	255,923
Loan from a fellow subsidiary (note 14)	1,309	1,309	3,927	57,031	63,576
	<u>86,507</u>	<u>248,683</u>	<u>3,927</u>	<u>57,031</u>	<u>396,148</u>

(iii) *Cash flow interest rate risk*

Interest rate risk is the risk that the position of Easy Success may be adversely affected by the changes in market interest rate. The policy of Easy Success involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise.

The interest rate risk of Easy Success mainly arises from interest-bearing bank loans and loan from a fellow subsidiary. The loans issued at variable rates expose Easy Success to cash flow interest rate risk. Easy Success has not hedged its cash flow interest rate risk. The board of directors monitors Easy Success's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

As at 31 March 2019, 2020 and 2021, if interest rates had been 0.5% higher/lower with all other variables held constant, the pre-tax result of Easy Success would have decreased/increased by approximately HK\$1,599,000 in financial year 2019, and increased/decreased by approximately HK\$1,557,000 and HK\$1,547,000 in financial year 2020 and 2021 respectively.

(iv) *Foreign exchange risk*

Foreign exchange risk arises on monetary assets and liabilities being denominated in a currency that is not the functional currency.

Easy Success solely operates in Hong Kong. It has no significant foreign exchange risk due to limited foreign currency transactions other than its functional currencies, except for its bank loans of HK\$251,752,000 which are denominated in United States dollar ("US\$") as at 31 March 2021.

As at 31 March 2021, if Hong Kong dollar had strengthened or weakened by 1% against US\$, with all other variables held constant, the pre-tax result of Easy Success would have decreased or increased by approximately HK\$324,000.

(b) Capital risk management

Easy Success' objectives when managing capital are to safeguard Easy Success' ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

Easy Success monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as a percentage of bank loans over total assets of Easy Success. The gearing ratio as at 31 March 2019, 2020 and 2021 were 57.7%, 59.0% and 58.8% respectively.

(c) Fair value estimation

The fair values of long-term bank loans and loan from a fellow subsidiary are estimated using the expected future payments discounted at market interest rates. The carrying values of the long-term bank loans and loan from a fellow subsidiary approximate their fair values since they are floating interest rate loans.

The carrying values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, including debtors, cash and bank balances, creditors and accruals, amounts due to immediate holding company and a fellow subsidiary and current portion of long-term bank loans approximate their fair values.

The investment property is measured within level 3 of the fair value hierarchy and disclosed in note 11.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the Historical Financial Information of Easy Success are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Easy Success makes estimates and assumptions concerning the future. The estimates and assumptions that may have a significant effect on the carrying values of assets and liabilities are discussed below:

Estimate of fair values of an investment property

The valuations of an investment property were performed in accordance with the “The HKIS Valuation Standards 2017” and “The HKIS Valuation Standards 2020” published by the Hong Kong Institute of Surveyors. Details of the judgment and assumptions are disclosed in note 11.

5 REVENUES

Revenues recognized during the Track Record Period are as follows:

	For the year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers recognized over time			
Management fees	365	421	525
Revenue from other source			
Rental income	<u>7,133</u>	<u>7,750</u>	<u>8,150</u>
	<u><u>7,498</u></u>	<u><u>8,171</u></u>	<u><u>8,675</u></u>

6 OTHER INCOME AND NET LOSS

	For the year ended 31 March		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
Sundries	12	2	7
Exchange loss	—	—	(1,102)
	<u>12</u>	<u>2</u>	<u>(1,095)</u>

7 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging the following:

	For the year ended 31 March		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
Auditor's remuneration	5	5	5
Corporate costs charged by an intermediate holding company (<i>note</i>)	9,671	10,133	8,860
Outgoings in respect of an investment property	1,431	2,246	1,132
Staff costs			
Wages and salaries	326	973	1,093
Retirement benefit costs	16	49	66
	<u>16</u>	<u>49</u>	<u>66</u>

Note: For the years ended 31 March 2019, 2020 and 2021, corporate costs, including staff costs of HK\$2,385,000, HK\$3,275,000 and HK\$2,493,000, are shared among certain fellow subsidiaries and Easy Success on an actual basis, and management service fee of nil, HK\$263,000 and HK\$230,000 were charged by an intermediate holding company (*note* 19).

8 BENEFITS AND INTERESTS OF DIRECTORS**(a) Directors' emoluments**

- (i) During the Track Record Period, there were no emoluments, retirement benefits, payments or benefits paid or receivable in respect of a person's services as a director, and directors' other services in connection with the management of the affairs of Easy Success.
- (ii) During the Track Record Period, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (iii) There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to Easy Success' business to which Easy Success was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the respective Track Record Period or at any time during the Track Record Period.

9 FINANCE COSTS

	For the year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on bank loans	6,892	8,360	4,304
Interest expenses on loan from a fellow subsidiary (notes 14 and 19)	2,517	2,581	1,631
	<u>9,409</u>	<u>10,941</u>	<u>5,935</u>

10 TAXATION

No provision for Hong Kong profits tax has been made as Easy Success had no estimated assessable profit for the Track Record Period.

The tax on Easy Success' profit/(loss) for the year differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	For the year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year	<u>93,372</u>	<u>(36,256)</u>	<u>(15,595)</u>
Tax charge/(credit) at the rate of 16.5%	15,406	(5,982)	(2,573)
Income not subject to taxation	(17,820)	—	—
Expenses not deductible for taxation purpose	—	3,300	842
Tax losses not recognized	2,414	2,682	1,731
Taxation	<u>—</u>	<u>—</u>	<u>—</u>

11 INVESTMENT PROPERTY

	For the year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	342,000	450,000	430,000
Change in fair value	108,000	(20,000)	(4,000)
At the end of the year	<u>450,000</u>	<u>430,000</u>	<u>426,000</u>

(a) The investment property is a completed commercial and industrial property held in Hong Kong and was revalued at 31 March 2019, 2020 and 2021 on an open market value basis by Colliers International (Hong Kong) Limited, an independent professional property valuer.

(b) The investment property was pledged to secure the bank loans of Easy Success (note 15).

(c) Valuation processes of Easy Success

Easy Success' investment property was revalued at 31 March 2019, 2020 and 2021 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 highest and best use of the investment property would be achieved upon future redevelopment.

Chuang's Consortium Group'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 Chuang's Consortium 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.

(d) Valuation techniques

Fair value of the investment property is derived using the residual method during the Track Record Period. Residual method is essentially a mean of valuing the property by reference to its development potential by deducting development costs to completion together with Easy Success's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

During the Track Record Period, there are no changes to the valuation technique except in financial year 2019, the valuation technique was changed from direct comparison method to residual method to reflect Easy Success' intention for future redevelopment potential.

(e) Significant unobservable inputs used to determine fair value

Unit sale rate, estimated costs to completion and developer's profit required are estimated by valuers based on market conditions at 31 March 2019, 2020 and 2021 for investment property valued under residual method in Hong Kong. The estimates are largely consistent with the budgets developed internally by Easy Success based on management's experience and knowledge of market conditions. The higher the unit sale rate, the higher the fair value. The higher the costs, the lower the fair value. The higher the estimated developer's profit, the lower the fair value.

The following unit sale rate, estimated costs to completion and developer's profit are used for the investment property valued under residual method:

	As at 31 March		
	2019	2020	2021
Unit sale rate (<i>HK\$ per sq. ft.</i>)	Retail:	Retail:	Retail:
	21,241 – 47,215	19,172 – 42,605	18,910 – 41,986
	Residential:	Residential:	Residential:
	24,402	25,021	25,021
Estimated costs to completion (<i>HK\$ per sq. ft.</i>)	4,655	4,960	4,960
Developer's profit	15%	15%	15%

12 DEBTORS AND PREPAYMENTS

	As at 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	63	282	7
Prepayments	360	252	144
Deposits and other receivables	1,854	1,992	159
	<u>2,277</u>	<u>2,526</u>	<u>310</u>

Rental income and management fees are received in advance. The aging analysis of the trade debtors based on the dates of invoices is as follows:

	As at 31 March		
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Below 30 days	63	183	4
31 to 60 days	—	48	3
61 to 90 days	—	51	—
	<u>63</u>	<u>282</u>	<u>7</u>

Easy Success applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade debtors. Trade debtors are grouped based on shared credit risk characteristics and the days past due is same as the one shown above.

Easy Success determines the provision for expected credit losses by grouping together trade debtors with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions.

The maximum exposure to credit risk at the balance sheet dates were the carrying values of each class of receivable mentioned above. Debtors and prepayments are denominated in Hong Kong dollar.

13 CREDITORS AND ACCRUALS

	As at 31 March		
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Trade creditors	100	315	79
Other creditors and accrued expenses	341	495	330
Tenants' deposits	2,067	2,114	2,218
	<u>2,508</u>	<u>2,924</u>	<u>2,627</u>

The aging analysis of the trade creditors based on the dates of suppliers' invoices is as follows:

	As at 31 March		
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Below 30 days	51	49	37
31 to 60 days	49	48	42
Over 60 days	—	218	—
	<u>100</u>	<u>315</u>	<u>79</u>

Creditors and accruals are mainly denominated in Hong Kong dollar.

14 LOAN FROM A FELLOW SUBSIDIARY AND AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY AND A FELLOW SUBSIDIARY

Loan from a fellow subsidiary is unsecured, interest bearing at the prevailing market rate and not repayable within the next twelve months from the balance sheet dates. The amount is denominated in Hong Kong dollar.

The amounts due to immediate holding company and a fellow subsidiary are unsecured, interest free and repayable on demand. The amounts are denominated in Hong Kong dollar.

Subsequent to 31 March 2021, loan from a fellow subsidiary and amount due to a fellow subsidiary were fully repaid by funding from immediate holding company.

15 LONG-TERM BANK LOANS

	As at 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans	261,450	255,600	251,752
Current portion included in current liabilities			
Portion due within one year	<u>(5,400)</u>	<u>(5,400)</u>	<u>(5,412)</u>
	<u>256,050</u>	<u>250,200</u>	<u>246,340</u>

The bank loans are secured by the investment property (note 11) and an assignment of the rental income thereon. They are also secured by corporate guarantee given by Chuang's Consortium. As at 31 March 2019 and 2020, the bank loans were denominated in Hong Kong dollar with effective interest rates ranging from approximately 2.70% to 2.81% and 2.59% to 2.85% per annum respectively. As at 31 March 2021, the bank loans were denominated in United States dollar with effective interest rates ranging from approximately 1.25% to 1.27% per annum. The carrying amounts of bank loans approximate their fair values which are within level 2 of fair value hierarchy.

The bank loans are repayable in the following periods based on the agreed scheduled repayment dates set out in the loan agreements:

	As at 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within the first year	5,400	5,400	5,412
Within the second year	5,400	5,400	246,340
Within the third to fifth years	<u>250,650</u>	<u>244,800</u>	<u>—</u>
	<u>261,450</u>	<u>255,600</u>	<u>251,752</u>

As at 31 March 2019, 2020 and 2021, the exposure of the bank loans to interest rate change and the contractual repricing date were less than six months.

16 SHARE CAPITAL

	As at 31 March		
	2019 HK\$	2020 HK\$	2021 HK\$
Issued and fully paid:			
2 ordinary shares	<u>2</u>	<u>2</u>	<u>2</u>

17 DEFERRED TAXATION

The movements in deferred taxation assets and liabilities of Easy Success (prior to offsetting of balances within the same taxation jurisdiction) during the Track Record Period are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2018	660	(660)	—
Charged/(credited) to statement of comprehensive income	<u>663</u>	<u>(663)</u>	<u>—</u>
At 31 March 2019	1,323	(1,323)	—
Charged/(credited) to statement of comprehensive income	<u>663</u>	<u>(663)</u>	<u>—</u>
At 31 March 2020	1,986	(1,986)	—
Charged/(credited) to statement of comprehensive income	<u>663</u>	<u>(663)</u>	<u>—</u>
At 31 March 2021	<u>2,649</u>	<u>(2,649)</u>	<u>—</u>

As at 31 March 2019, 2020 and 2021, deferred taxation assets of approximately HK\$18,042,000, HK\$20,724,000 and HK\$22,455,000 arising from unused tax losses of approximately HK\$109,344,000, HK\$125,599,000 and HK\$136,092,000 have not been recognized in the Historical Financial Information of Easy Success. These tax losses have no expiry dates.

18 OPERATING LEASE RENTAL RECEIVABLE

The future aggregate minimum lease rental income under non-cancellable operating leases in respect of the investment property is receivable in the following periods:

	As at 31 March		
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Within the first year	7,399	5,961	7,389
Within the second year	5,440	995	4,708
Within the third year	<u>420</u>	<u>221</u>	<u>285</u>
	<u>13,259</u>	<u>7,177</u>	<u>12,382</u>

19 RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in the Historical Financial Information of Easy Success, Easy Success undertook the following transactions with an intermediate holding company and a fellow subsidiary during the Track Record Period:

	For the year ended 31 March		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Management service fee to an intermediate holding company (<i>note</i>)	—	263	230
Interest expenses on loan from a fellow subsidiary (<i>note 14</i>)	2,517	2,581	1,631
	<u>2,517</u>	<u>2,581</u>	<u>1,631</u>

Note: For the years ended 31 March 2020 and 2021, Easy Success paid management service fee to an intermediate holding company for the management services rendered. The terms of the fee were determined by reference to the prevailing market rate.

All the above related party transactions will be ceased upon completion of the Proposed Transaction.

20 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank loans		Amount due to immediate holding company	Total
	Non-current	Current	company	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2018	261,450	5,400	15,732	282,582
Cash inflows	—	—	18,079	18,079
Cash outflows	—	(5,400)	—	(5,400)
Non-cash change:				
Reclassifications	(5,400)	5,400	—	—
At 31 March 2019	256,050	5,400	33,811	295,261
Cash inflows	—	—	18,945	18,945
Cash outflows	—	(5,850)	—	(5,850)
Non-cash change:				
Reclassifications	(5,850)	5,850	—	—
At 31 March 2020	250,200	5,400	52,756	308,356
Cash inflows	—	—	13,464	13,464
Cash outflows	—	(4,950)	—	(4,950)
Non-cash changes:				
Exchange difference	1,102	—	—	1,102
Reclassifications	(4,962)	4,962	—	—
At 31 March 2021	<u>246,340</u>	<u>5,412</u>	<u>66,220</u>	<u>317,972</u>

21 CONTINGENT LIABILITIES AND GUARANTEES

As at 31 March 2019, 2020 and 2021, Easy Success had no contingent liabilities and guarantees.

22 HOLDING COMPANIES

The Directors regard Fanus Limited, a company incorporated in British Virgin Islands, as immediate holding company, and Chuang's Consortium, a company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited, as the ultimate holding company.

23 SUBSEQUENT EVENTS

Saved as disclosed in Historical Financial Information of Easy Success, there have been no significant events subsequent to 31 March 2021 and up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Easy Success in respect of any period subsequent to 31 March 2021 and up to the date of this report. No dividend or distribution has been declared or made by Easy Success in respect of any period subsequent to 31 March 2021.

Set out below is the management discussion and analysis of the Central Treasure Group and Easy Success for each of the three years ended 31 March 2021.

1. THE CENTRAL TREASURE GROUP

For the year ended 31 March 2021

Financial and business review

For the year ended 31 March 2021, the Central Treasure Group, through its wholly-owned subsidiaries, is engaged in property investment and development in Hong Kong and its principal asset is Project-HK. Revenue of the Central Treasure Group decreased from approximately HK\$6.5 million for the year ended 31 March 2020 to approximately HK\$1.7 million for the year ended 31 March 2021. The decrease was mainly due to decrease in units leased in Project-HK which resulted in lower rental income recorded for the year ended 31 March 2021. Loss for the year decreased from approximately HK\$26.2 million for the year ended 31 March 2020 to approximately HK\$20.5 million for the year ended 31 March 2021. The decrease in loss was mainly due to the decrease in finance costs from approximately HK\$20.6 million for the year ended 31 March 2020 to approximately HK\$12.8 million for the year ended 31 March 2021.

Liquidity, financial position and capital structure

Total assets of the Central Treasure Group increased from approximately HK\$562.1 million as at 31 March 2020 to approximately HK\$602.0 million as at 31 March 2021. The increase was mainly due to the additions of approximately HK\$40.6 million in properties for/under development as a result of the acquisitions of units in Project-HK during the year ended 31 March 2021. As at 31 March 2021, the Central Treasure Group had net liabilities and net current assets of approximately HK\$155.6 million and HK\$190.1 million, respectively, and bank balances of approximately HK\$0.1 million.

Total liabilities of the Central Treasure Group increased from approximately HK\$697.3 million as at 31 March 2020 to approximately HK\$757.7 million as at 31 March 2021. The increase was mainly due to the increase in amount due to immediate holding company from approximately HK\$119.8 million as at 31 March 2020 to approximately HK\$187.5 million as at 31 March 2021. As at 31 March 2021, the Central Treasure Group had bank loans of approximately HK\$170.7 million and gearing ratio (defined as total bank loans divided by total assets) of approximately 28.4%.

For the year ended 31 March 2021, the Central Treasure Group conducted its business in Hong Kong, with the major assets and liabilities items being denominated in HK\$. Therefore, the Central Treasure Group had no significant foreign exchange exposure arising from its assets and liabilities. The Central Treasure Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging. The Central Treasure Group would closely monitor its risk exposure from time to time.

Employment and remuneration policy

As at 31 March 2021, the Central Treasure Group did not have any employee. For the year ended 31 March 2021, remuneration to employees amounted to approximately HK\$2.6 million. Such salary expenses represented overhead expenses allocated from the Chuang's Consortium Group.

Significant investment held and future plans for material investments or capital assets

Save for its interest in Project-HK, the Central Treasure Group did not have any significant investment held and had no future plans for material investments or capital assets not in the ordinary and usual course of its business. There was no plan for new business for the Central Treasure Group.

Contingent liabilities and charges on assets

As at 31 March 2021, save for the bank loans being secured by Project-HK and the corporate guarantee given by Chuang's Consortium, the Central Treasure Group had no other contingent liabilities or charges on assets.

Acquisition or disposal of subsidiaries and associated companies

There were no acquisition or disposal of subsidiaries and associated companies during the year ended 31 March 2021.

For the year ended 31 March 2020*Financial and business review*

For the year ended 31 March 2020, the Central Treasure Group, through its wholly-owned subsidiaries, is engaged in property investment in Hong Kong and its principal asset is Project-HK. Revenue of the Central Treasure Group decreased from approximately HK\$7.5 million for the year ended 31 March 2019 to approximately HK\$6.5 million for the year ended 31 March 2020. The decrease was mainly due to the decrease in units leased in Project-HK which resulted in lower rental income recorded for the year ended 31 March 2020. Loss for the year slightly increased from approximately HK\$25.9 million for the year ended 31 March 2019 to approximately HK\$26.2 million for the year ended 31 March 2020.

Liquidity, financial position and capital structure

Total assets of the Central Treasure Group increased from approximately HK\$532.3 million as at 31 March 2019 to approximately HK\$562.1 million as at 31 March 2020. The increase was mainly due to the additions of approximately HK\$31.2 million in properties for/under development as a result of the acquisitions of units in Project-HK

during the year ended 31 March 2020. As at 31 March 2020, the Central Treasure Group had net liabilities and net current liabilities of approximately HK\$135.2 million and HK\$350.6 million, respectively, and bank balances of approximately HK\$0.2 million.

Total liabilities of the Central Treasure Group increased from approximately HK\$641.2 million as at 31 March 2019 to approximately HK\$697.3 million as at 31 March 2020. The increase was mainly due to the increase in loans from a fellow subsidiary and amount due to immediate holding company as at 31 March 2020 as compared to that of 31 March 2019. As at 31 March 2020, the Central Treasure Group had bank loans of approximately HK\$188.4 million and gearing ratio (defined as total bank borrowing divided by total assets) of approximately 33.5%.

For the year ended 31 March 2020, the Central Treasure Group conducted its business in Hong Kong, with the major assets and liabilities items being denominated in HK\$. Therefore, the Central Treasure Group had no significant foreign exchange exposure arising from its assets and liabilities. The Central Treasure Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging. The Central Treasure Group would closely monitor its risk exposure from time to time.

Employment and remuneration policy

As at 31 March 2020, the Central Treasure Group did not have any employee. For the year ended 31 March 2020, remuneration to employees amounted to approximately HK\$3.8 million. Such salary expenses represented overhead expenses allocated from the Chuang's Consortium Group.

Significant investment held and future plans for material investments or capital assets

Save for its interest in Project-HK, the Central Treasure Group did not have any significant investment held and had no future plans for material investments or capital assets not in the ordinary and usual course of its business. There was no plan for new business for the Central Treasure Group.

Contingent liabilities and charges on assets

As at 31 March 2020, save for the bank loans being secured by Project-HK and the corporate guarantee given by Chuang's Consortium, the Central Treasure Group had no other contingent liabilities or charges on assets.

Acquisition or disposal of subsidiaries and associated companies

There were no acquisition or disposal of subsidiaries and associated companies during the year ended 31 March 2020.

For the year ended 31 March 2019*Financial and business review*

For the year ended 31 March 2019, the Central Treasure Group, through its wholly-owned subsidiaries, is engaged in property investment in Hong Kong and its principal asset is Project-HK. Revenue of the Central Treasure Group amounted to approximately HK\$7.5 million, which represented the rental income from Project-HK. Loss for the year ended 31 March 2019 amounted to approximately HK\$25.9 million.

Liquidity, financial position and capital structure

Total assets of the Central Treasure Group amounted to approximately HK\$532.3 million as at 31 March 2019 which mainly comprised of properties for/under development of approximately HK\$530.0 million. As at 31 March 2019, the Central Treasure Group had net liabilities and net current liabilities of approximately HK\$108.9 million and HK\$132.5 million, respectively, and bank balances of approximately HK\$0.4 million.

Total liabilities of the Central Treasure Group amounted to approximately HK\$641.2 million as at 31 March 2019 which mainly included bank loans of approximately HK\$212.0 million and loans from a fellow subsidiary of approximately HK\$318.1 million. As at 31 March 2019, the gearing ratio (defined as total bank loans divided by total assets) was approximately 39.8%.

For the year ended 31 March 2019, the Central Treasure Group conducted its business in Hong Kong, with the major assets and liabilities items being denominated in HK\$. Therefore, the Central Treasure Group had no significant foreign exchange exposure arising from its assets and liabilities. The Central Treasure Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging. The Central Treasure Group would closely monitor its risk exposure from time to time.

Employment and remuneration policy

As at 31 March 2019, the Central Treasure Group did not have any employee. For the year ended 31 March 2019, remuneration to employees amounted to approximately HK\$2.4 million. Such salary expenses represented overhead expenses allocated from the Chuang's Consortium Group.

Significant investment held and future plans for material investments or capital assets

Save for its interest in Project-HK, the Central Treasure Group did not have any significant investment held and had no future plans for material investments or capital assets not in the ordinary and usual course of its business. There was no plan for new business for the Central Treasure Group.

Contingent liabilities and charges on assets

As at 31 March 2019, save for the bank loans being secured by Project-HK and the corporate guarantee given by Chuang's Consortium, the Central Treasure Group had no other contingent liabilities or charges on assets.

Acquisition or disposal of subsidiaries and associated companies

There were no acquisition or disposal of subsidiaries and associated companies during the year ended 31 March 2019.

2. EASY SUCCESS**For the year ended 31 March 2021***Financial and business review*

For the year ended 31 March 2021, Easy Success is engaged in property investment in Hong Kong and its principal asset is Project-Kowloon. Revenues of Easy Success was approximately HK\$8.7 million, represented an increase of approximately 6.2% compared to that of the year ended 31 March 2020, mainly due to the increase in occupancy and rental income of Project-Kowloon during the year. Loss for the year decreased from approximately HK\$36.3 million for the year ended 31 March 2020 to approximately HK\$15.6 million for the year ended 31 March 2021, mainly due to the decrease in amount of fair value loss of investment property recorded for the year as compared to that of the year ended 31 March 2020.

Liquidity, financial position and capital structure

Total assets of Easy Success decreased from approximately HK\$433.2 million as at 31 March 2020 to approximately HK\$428.5 million as at 31 March 2021. As at 31 March 2021, Easy Success had net assets and net current liabilities of approximately HK\$44.4 million and HK\$79.5 million, respectively, and bank balances of approximately HK\$2.2 million.

Total liabilities of Easy Success increased from approximately HK\$373.2 million as at 31 March 2020 to approximately HK\$384.1 million as at 31 March 2021. The increase was mainly due to the increase in amount due to immediate holding company from approximately HK\$52.8 million as at 31 March 2020 to approximately HK\$66.2 million as at 31 March 2021. As at 31 March 2021, Easy Success had long-term bank loans of approximately HK\$251.8 million and gearing ratio (defined as total bank loans divided by total assets) of approximately 58.8%.

For the year ended 31 March 2021, Easy Success conducted its business in Hong Kong, with the major assets and liabilities items being denominated in HK\$ except for bank loans of approximately HK\$251.8 million which were denominated in United States dollar. Therefore, the financial position of Easy Success is subject to the exposure in

United States dollar. Easy Success had no formal treasury policy and did not enter into any form of financial arrangement for hedging. Easy Success would closely monitor its risk exposure from time to time.

Employment and remuneration policy

As at 31 March 2021, Easy Success did not have any employee. For the year ended 31 March 2021, remuneration to employees amounted to approximately HK\$3.7 million. Such salary expenses represented direct and overhead expenses allocated from the Chuang's Consortium Group.

Significant investment held and future plans for material investments or capital assets

Save for its interest in Project-Kowloon, Easy Success did not have any significant investment held and had no future plans for material investments or capital assets not in the ordinary and usual course of its business. Save for the redevelopment of Project-Kowloon, there was no plan for new business for Easy Success as at 31 March 2021.

Contingent liabilities and charges on assets

As at 31 March 2021, save for the bank loans being secured by Project-Kowloon and the corporate guarantee given by Chuang's Consortium, Easy Success had no other contingent liabilities or charges on assets.

Acquisition or disposal of subsidiaries and associated companies

There were no acquisition or disposal of subsidiaries and associated companies during the year ended 31 March 2021.

For the year ended 31 March 2020

Financial and business review

For the year ended 31 March 2020, Easy Success is engaged in property investment in Hong Kong and its principal asset is Project-Kowloon. Revenues of Easy Success was approximately HK\$8.2 million, representing an increase of approximately 9.0% compared to that of 2019 mainly due to the general increase in rental income during the year. Loss for the year was approximately HK\$36.3 million for the year ended 31 March 2020, as compared to the profit for the year of approximately HK\$93.4 million for the year ended 31 March 2019, which was principally due to a fair value loss of investment property of approximately HK\$20.0 million recorded for the year ended 31 March 2020 as compared to a fair value gain of investment property of HK\$108.0 million for the year ended 31 March 2019.

Liquidity, financial position and capital structure

Total assets of Easy Success decreased from approximately HK\$453.4 million as at 31 March 2019 to approximately HK\$433.2 million as at 31 March 2020. The decrease was mainly due to the decrease in fair value of investment property during the year. As at 31 March 2020, Easy Success had net assets and net current liabilities of approximately HK\$60.0 million and HK\$64.1 million respectively, and bank balances of approximately HK\$0.7 million.

Total liabilities of Easy Success increased from approximately HK\$357.1 million as at 31 March 2019 to approximately HK\$373.2 million as at 31 March 2020, which was principally due to the increase in amount due to immediate holding company. As at 31 March 2020, Easy Success had long-term bank loans of approximately HK\$255.6 million and gearing ratio (defined as total bank loans divided by total assets) of approximately 59.0%.

For the year ended 31 March 2020, Easy Success conducted its business in Hong Kong, with the major assets and liabilities items being denominated in HK\$. Therefore, Easy Success had no significant foreign exchange exposure arising from its assets and liabilities. Easy Success had no formal treasury policy and did not enter into any form of financial arrangement for hedging. Easy Success would closely monitor its risk exposure from time to time.

Employment and remuneration policy

As at 31 March 2020, Easy Success did not have any employee. For the year ended 31 March 2020, remuneration to employees amounted to approximately HK\$4.3 million. Such salary expenses represented direct and overhead expenses allocated from the Chuang's Consortium Group.

Significant investment held and future plans for material investments or capital assets

Save for its interest in Project-Kowloon, Easy Success did not have any significant investment held and had no future plans for material investments or capital assets not in the ordinary and usual course of its business. There was no plan for new business for Easy Success.

Contingent liabilities and charges on assets

As at 31 March 2020, save for the bank loans being secured by Project-Kowloon and the corporate guarantee given by Chuang's Consortium, Easy Success had no other contingent liabilities or charges on assets.

Acquisition or disposal of subsidiaries and associated companies

There were no acquisition or disposal of subsidiaries and associated companies during the year ended 31 March 2020.

For the year ended 31 March 2019*Financial and business review*

For the year ended 31 March 2019, Easy Success is engaged in property investment in Hong Kong and its principal asset is Project-Kowloon. Revenues of Easy Success was approximately HK\$7.5 million which comprised of rental income and management fees income from Project-Kowloon. Profit for the year ended 31 March 2019 amounted to approximately HK\$93.4 million which included a fair value gain of investment property of HK\$108.0 million.

Liquidity, financial position and capital structure

Total assets of Easy Success amounted to approximately HK\$453.4 million as at 31 March 2019, which mainly comprised of investment property of HK\$450.0 million. As at 31 March 2019, Easy Success had net assets and net current liabilities of approximately HK\$96.3 million and HK\$42.0 million respectively, and bank balances was approximately HK\$1.1 million.

Total liabilities of Easy Success amounted to approximately HK\$357.1 million as at 31 March 2019, which mainly comprised of bank loans of approximately HK\$261.5 million and loan from a fellow subsidiary of approximately HK\$55.7 million. As at 31 March 2019, gearing ratio (defined as total bank loans divided by total assets) was approximately 57.7%.

For the year ended 31 March 2019, Easy Success conducted its business in Hong Kong, with the major assets and liabilities items being denominated in HK\$. Therefore, Easy Success had no significant foreign exchange exposure arising from its assets and liabilities. Easy Success had no formal treasury policy and did not enter into any form of financial arrangement for hedging. Easy Success would closely monitor its risk exposure from time to time.

Employment and remuneration policy

As at 31 March 2019, Easy Success did not have any employee. For the year ended 31 March 2019, remuneration to employees amounted to approximately HK\$2.7 million. Such salary expenses represented direct and overhead expenses allocated from the Chuang's Consortium Group.

Significant investment held and future plans for material investments or capital assets

Save for its interest in Project-Kowloon, Easy Success did not have any significant investment held and had no future plans for material investments or capital assets not in the ordinary and usual course of its business. There was no plan for new business for Easy Success.

Contingent liabilities and charges on assets

As at 31 March 2019, save for the bank loans being secured by Project-Kowloon and the corporate guarantee given by Chuang's Consortium, Easy Success had no other contingent liabilities or charges on assets.

Acquisition or disposal of subsidiaries and associated companies

There were no acquisition or disposal of subsidiaries and associated companies during the year ended 31 March 2019.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the illustrative unaudited pro forma consolidated balance sheet of the Enlarged Group (“**Unaudited Pro Forma Financial Information**”), which has been prepared on the basis of notes set out below and in accordance with Rule 4.29(1) of the Listing Rules, for the purpose of illustrating the effects of the Proposed Transaction on the Group for the inclusion in this circular.

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effects of the Proposed Transaction on the Group’s financial position as at 31 March 2021 as if the Proposed Transaction had taken place at 31 March 2021.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Transaction been completed as at 31 March 2021 or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 March 2021 and other financial information included elsewhere in this circular.

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

	Audited consolidated balance sheet of the Group as at 31 March 2021 HK\$'000 Note 1	Pro forma adjustments		HK\$'000 Note 4	Unaudited pro forma consolidated balance sheet of the Enlarged Group after the Proposed Transaction HK\$'000 Notes 5 and 6
		HK\$'000 Note 2	HK\$'000 Note 3		
Non-current assets					
Property, plant and equipment	45,560				45,560
Investment properties	1,635,636		426,000		2,061,636
Right-of-use assets	1,674				1,674
Properties for/under development	148,393				148,393
Cemetery assets	302,489				302,489
Associated company	3,795				3,795
Joint venture	362,498				362,498
Financial assets at fair value through other comprehensive income	154,190				154,190
Loans and receivables and other deposits	217,108				217,108
	<u>2,871,343</u>		<u>426,000</u>		<u>3,297,343</u>
Current assets					
Properties for sale	677,837	585,000			1,262,837
Cemetery assets	778,286				778,286
Inventories	49,795				49,795
Debtors and prepayments	156,754	16	310		157,080
Financial assets at fair value through profit or loss	1,321,870				1,321,870
				(4,000) ⁽ⁱ⁾	
				(199,651) ⁽ⁱⁱ⁾	
Cash and bank balances	679,001	134	2,234	(203,651)	477,718
	<u>3,663,543</u>	<u>585,150</u>	<u>2,544</u>	<u>(203,651)</u>	<u>4,047,586</u>
Assets of disposal group classified as held for sale	770,429				770,429
	<u>4,433,972</u>	<u>585,150</u>	<u>2,544</u>	<u>(203,651)</u>	<u>4,818,015</u>
Current liabilities					
Creditors and accruals	346,509	1,544	2,627		350,680
Sales deposits received	10,984				10,984
Short-term bank borrowings	411,052				411,052
Current portion of long-term bank borrowings	700,557	170,738	5,412		876,707
Taxation payable	66,620				66,620
	<u>1,535,722</u>	<u>172,282</u>	<u>8,039</u>		<u>1,716,043</u>
Liabilities of disposal group classified as held for sale	69,437				69,437
	<u>1,605,159</u>	<u>172,282</u>	<u>8,039</u>		<u>1,785,480</u>
Net current assets	<u>2,828,813</u>	<u>412,868</u>	<u>(5,495)</u>	<u>(203,651)</u>	<u>3,032,535</u>
Total assets less current liabilities	<u>5,700,156</u>	<u>412,868</u>	<u>420,505</u>	<u>(203,651)</u>	<u>6,329,878</u>
Non-current liabilities					
Long-term bank borrowings	704,733		246,340		951,073
Deferred taxation liabilities	367,188	3,308			370,496
Loans and payables with non-controlling interests	47,688				47,688
Other non-current liabilities	37,223				37,223
	<u>1,156,832</u>	<u>3,308</u>	<u>246,340</u>		<u>1,406,480</u>
Net assets	<u>4,543,324</u>	<u>409,560</u>	<u>174,165</u>	<u>(203,651)</u>	<u>4,923,398</u>
Equity					
Share capital	117,442			52,821 ⁽ⁱ⁾	170,263
				528,212 ⁽ⁱ⁾	
				(1,308) ⁽ⁱ⁾	
				526,904 ⁽ⁱ⁾	
				(199,651) ⁽ⁱⁱ⁾	
Reserves	4,302,311			327,253	4,629,564
Shareholders' funds	4,419,753			380,074	4,799,827
Non-controlling interests	123,571				123,571
Total equity	<u>4,543,324</u>			<u>380,074</u>	<u>4,923,398</u>

Notes:

- The amounts are extracted from the audited consolidated balance sheet of the Group as at 31 March 2021 as set out in the annual report of the Company for the year ended 31 March 2021 which is referred to in section 1 of Appendix I to this circular.
- These adjustments represent the inclusion of identifiable assets and liabilities of the Central Treasure Group to be acquired by the Group assuming the Proposed Transaction was completed on 31 March 2021. Upon completion of the Proposed Transaction, the identifiable assets and liabilities of the Central Treasure Group will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations". The amounts have been extracted from the historical financial information of the Central Treasure Group as at 31 March 2021 as set forth in Appendix IIA of this circular (except for the amounts due to immediate holding company and a fellow subsidiary and loans from a fellow subsidiary which would be acquired but eliminated in the unaudited pro forma consolidated balance sheet of the Enlarged Group), excluding the stamp duty refund which is not acquired.

A reconciliation is shown below:

	Central Treasure Group in Appendix IIA HK\$'000	Exclude stamp duty refund HK\$'000 (Note a)	Net fair value adjustment HK\$'000 (Note b)	Assets and liabilities to be acquired HK\$'000 (Note c)
Current assets				
Properties for sale	564,953		20,047	585,000
Debtors and prepayments	36,923	(36,907)		16*
Cash and bank balances	134			134*
	<u>602,010</u>	<u>(36,907)</u>	<u>20,047</u>	<u>585,150</u>
Current liabilities				
Creditors and accruals	1,544			1,544
Current portion of long-term bank borrowings	170,738			170,738
	<u>172,282</u>			<u>172,282*</u>
Non-current liability				
Deferred taxation liabilities	—		3,308	3,308
Net assets	<u>429,728</u>	<u>(36,907)</u>	<u>16,739</u>	<u>409,560</u>

Sum of * = Net liabilities of HK\$172,132,000 = Completion NAV of the Central Treasure Group as at 31 March 2021

Notes:

- (a) According to the Sale and Purchase Agreement, the stamp duty refund of HK\$36,907,000 is not included as asset to be acquired. Instead, upon receipt of such stamp duty refund after Completion (which is expected to be settled by the end of 2021), the Central Treasure Group will return the amount received to Vendor 1.
- (b) Project-HK is valued at HK\$585,000,000 as at 31 May 2021 with reference to the valuation report prepared by Knight Frank, an independent valuer engaged by the Company, as set out in Appendix V to this circular. For the purpose of the Unaudited Pro Forma Financial Information, the Directors do not expect that there will be any material differences between the valuation of Project-HK at 31 March 2021 and that valued at 31 May 2021 and the date of this circular. The difference between the fair value aforesaid and the carrying value of Project-HK as at 31 March 2021 and the related deferred taxation liabilities amounting to approximately HK\$20,047,000 and HK\$3,308,000 respectively are recorded as the net fair value adjustment.
- (c) The carrying values of debtors and prepayments, cash and bank balances, creditors and accruals and bank borrowings approximate their fair values. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the financing bank agree to release Chuang's Consortium as the guarantor for the bank borrowings and the bank borrowings of the Central Treasure Group is assumed to be continued by the Central Treasure Group at Completion.

According to the Sale and Purchase Agreement, the amounts of all assets and liabilities of the Central Treasure Group, except for Project-HK and a receivable relating to stamp duty refund (which had been adjusted in Note 2(a) above), will be aggregated as the Completion NAV of the Central Treasure Group and adjusted to the Consideration at the date of Completion. The amount of the Completion NAV of the Central Treasure Group as at 31 March 2021 is net liabilities of HK\$172,132,000. The actual amount of the Completion NAV of the Central Treasure Group can only be determined at Completion.

3. These adjustments represent the inclusion of identifiable assets and liabilities of Easy Success to be acquired by the Group assuming the Proposed Transaction was completed on 31 March 2021. Upon completion of the Proposed Transaction, the identifiable assets and liabilities of Easy Success will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations". The amounts have been extracted from the historical financial information of Easy Success as at 31 March 2021 as set forth in Appendix IIB of this circular (except for the amounts due to immediate holding company and a fellow subsidiary and loan from a fellow subsidiary which would be acquired but eliminated in the unaudited pro forma consolidated balance sheet of the Enlarged Group).

An extraction is shown below:

	Easy Success in Appendix IIB <i>HK\$'000</i> <i>(Notes a and b)</i>
Non-current asset	
Investment property	426,000
Current assets	
Debtors and prepayments	310
Cash and bank balances	2,234
	<u>2,544*</u>

**Easy Success in
Appendix IIB**
HK\$'000
(Notes a and b)

Current liabilities	
Creditors and accruals	2,627
Current portion of long-term bank borrowings	<u>5,412</u>
	<u>8,039*</u>
Non-current liability	
Long-term bank borrowings	<u>246,340*</u>
Net assets	<u><u>174,165</u></u>

*Sum of * = Net liabilities of HK\$251,835,000 = Completion NAV of Easy Success as at 31 March 2021*

Notes:

- (a) Project-Kowloon is valued at HK\$435,000,000 as at 31 May 2021 with reference to the valuation report prepared by Knight Frank, an independent valuer engaged by the Company, as set out in Appendix V to this circular. If the Proposed Transaction was completed on 31 May 2021, the fair value of the investment property to be acquired will be increased to HK\$435,000,000 and the increase in value of HK\$9,000,000 will be recognized as negative goodwill for Project-Kowloon as if the Proposal Transaction was completed on 31 May 2021. The actual amount of negative goodwill can only be determined at Completion.
- (b) The carrying values of debtors and prepayments, cash and bank balances, creditors and accruals and bank borrowings approximate their fair values. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the financing bank agree to release Chuang's Consortium as the guarantor for the bank borrowings and the bank borrowings of Easy Success are assumed to be continued by Easy Success at Completion.

According to the Sale and Purchase Agreement, the amounts of all assets and liabilities of Easy Success, except for Project-Kowloon, will be aggregated as the Completion NAV of Easy Success and adjusted to the Consideration at the date of Completion. The amount of the Completion NAV of Easy Success as at 31 March 2021 is net liabilities of HK\$251,835,000. The actual amount of the Completion NAV of Easy Success can only be determined at Completion.

4. (i) These adjustments represent the estimated amount of the Consideration of the Proposed Transaction which is satisfied entirely by way of allotment and issue of Consideration Shares by the Company, and expenses to be paid in cash for the Proposed Transaction, assuming the Proposed Transaction had taken place on 31 March 2021:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration		586,000
Adjustments for Completion NAV of the Central Treasure Group and Easy Success:		
Exclusion of the aggregate estimated amount of Completion NAV of the Central Treasure Group and Easy Success in the Consideration (HK\$579 million + HK\$426 million - HK\$586 million)	419,000	
Inclusion of the aggregate amount of Completion NAV of the Central Treasure Group and Easy Success as at 31 March 2021 as shown in Notes 2 and 3 above (-HK\$172.1 million - HK\$251.8 million)	<u>(423,967)</u>	<u>(4,967)</u>
Adjusted consideration as at 31 March 2021 to be satisfied entirely by way of allotment and issue of Consideration Shares by the Company (<i>Note</i>)		<u><u>581,033</u></u>

Note: Assuming the Proposed Transaction was completed on 31 March 2021, 1,056,423,636 Consideration Shares will be allotted and issued by the Company at HK\$0.55 per share to satisfy the adjusted consideration of HK\$581,033,000.

HK\$'000

Purchase consideration

Adjusted consideration as per above (<i>Note a</i>)	<u><u>581,033</u></u>
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Recognized amounts of identifiable assets acquired and liabilities assumed at fair value:	Central Treasure Group in Note 2 <i>HK\$'000</i>	Easy Success in Note 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Investment property	—	426,000	426,000
Properties for sale	585,000	—	585,000
Debtors and prepayments	16	310	326
Cash and bank balances	134	2,234	2,368
Creditors and accruals	(1,544)	(2,627)	(4,171)
Bank borrowings	(170,738)	(251,752)	(422,490)
Deferred taxation liabilities	<u>(3,308)</u>	<u>—</u>	<u>(3,308)</u>
Total net identifiable assets acquired	<u>409,560</u>	<u>174,165</u>	<u>583,725</u>
Negative goodwill			<u>(2,692)</u>
			<u><u>581,033</u></u>

HK\$'000

**Analysis of the estimated net loss on the Proposed Transaction
as at 31 March 2021:**

Negative goodwill	2,692
Less: Estimated expenses directly attributable to the Proposed Transaction to be paid in cash (<i>Note b</i>)	<u>(4,000)</u>
Estimated net loss on the Proposed Transaction as at 31 March 2021	<u><u>(1,308)</u></u>

Notes:

- (a) The issue of 1,056,423,636 Consideration Shares by the Company as purchase consideration as at 31 March 2021 will be accounted for in the consolidated financial statements of the Group at fair value in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations". For the purpose of the Unaudited Pro Forma Financial Information, as the fair value of 1,056,423,636 Consideration Shares that need to be calculated in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" would need to be determined by the closing price per share as quoted on the Stock Exchange on the date after fulfilment or waiver (if applicable) of the conditions precedent under the Sale and Purchase Agreement ("Completion Share Price"), which is not yet available, it is therefore assumed there is no material difference between the fair value of 1,056,423,636 Consideration Shares to be allotted and issued by the Company and that total value with the issue price of HK\$0.55. When the Completion Share Price is lower than the issue price of HK\$0.55, a negative goodwill would be recognized in the consolidated income statement of the Group. When the Completion Share Price is higher than the issue price of HK\$0.55, a goodwill would be recognized in the consolidated balance sheet of the Group initially, and is subject to impairment assessment. Any impairment of goodwill would be recognized in the consolidated income statement of the Group. The actual amount of such negative goodwill or goodwill can only be determined when the Proposed Transaction becomes unconditional.

For the adjusted consideration of HK\$581,033,000 assumed in the Unaudited Pro Forma Financial Information, the par value of HK\$0.05 per share for 1,056,423,636 Consideration Shares with total amount of HK\$52,821,182 would be recognized as share capital of the Company, and the difference of HK\$528,211,818 would be recognized as share premium of the Company accordingly.

- (b) The estimated legal and professional fee and transaction expenses attributable to the Proposed Transaction are approximately HK\$4,000,000 and to be paid in cash.

The actual amounts of adjusted consideration, fair value and total value of Consideration Shares, and the corresponding negative goodwill/goodwill and share premium can only be determined at Completion, which may be substantially different from the estimated amounts used in preparation of the Unaudited Pro Forma Financial Information. This adjustment has no continuing effect.

- (ii) These adjustments represent the "Proposed Conditional Chuang's China Special Cash Distribution" as mentioned in the "Letter from the Board". The Board declares that conditional upon the Completion of the Proposed Transaction, the Company will distribute the Proposed Conditional Chuang's China Special Cash Distribution of 8.5 HK cents per share to the Shareholders. The Consideration Shares will not be entitled to the Proposed Conditional Chuang's China Special Cash Distribution. Thus with the total number of issued shares of the Company of 2,348,835,316 shares as at 31 March 2021, the Proposed Conditional Chuang's China Special Cash Distribution will be amounted to approximately HK\$199,651,000.

The Proposed Conditional Chuang's China Special Cash Distribution may only become payable upon the Completion of the Proposed Transaction. This adjustment has no continuing effect.

5. On 9 February 2021, the Group entered into the conditional sale and purchase agreements with independent third parties for the disposal of the properties holding subsidiaries that hold the property project in Panyu, Guangzhou, the PRC, for an aggregate consideration of about RMB1,571.3 million (equivalent to approximately HK\$1,872.2 million) (subject to adjustments) (the “**Panyu Disposal**”). The Panyu Disposal was announced by the Company on 11 February 2021 and published in the circular on 19 March 2021. As at 31 March 2021, deposit of RMB100 million (equivalent to approximately HK\$118.3 million) was received and recorded in “creditors and accruals” as shown in the Unaudited Pro Forma Financial Information presented above. All related assets and liabilities of the disposal group were reclassified as “Assets of disposal group classified as held for sale” and “Liabilities of disposal group classified as held for sale” respectively as at 31 March 2021 as shown in the Unaudited Pro Forma Financial Information presented above. The Panyu Disposal was approved by the shareholders of the Company at the special general meeting held on 13 April 2021. The transaction was then completed on 14 May 2021 in accordance with the terms and conditions of the sale and purchase agreements and the consideration of about RMB1,346.4 million (equivalent to approximately HK\$1,615.7 million) was received at completion. An estimated net gain of approximately HK\$1.0 billion is expected to be generated from the transaction. As the Panyu Disposal was completed after 31 March 2021 and is not the subject matter of this circular, the Panyu Disposal has not been included in this unaudited pro forma consolidated balance sheet of the Enlarged Group as shown above.
6. Apart from note 4(ii) and note 5 above, no other adjustment (including the Panyu Disposal mentioned in note 5 above) has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2021.
7. The financial information relating to the year ended 31 March 2021 of Easy Success included in this Unaudited Pro Forma Financial Information does not constitute Easy Success’ 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 Easy Success 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).

Easy Success’ auditor has reported on the financial statements of Easy Success for the year ended 31 March 2021. 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 ENLARGED GROUP

The following is the text of a report on the unaudited pro forma financial information of the Enlarged 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**"), Central Treasure Investments Limited ("**Central Treasure**") and its subsidiaries (the "**Central Treasure Group**") and Easy Success Enterprises Limited ("**Easy Success**") (collectively the "**Enlarged 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 31 March 2021 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-8 of the Company's circular dated 20 August 2021, in connection with the proposed acquisition of the entire equity interest in Central Treasure and Easy Success involving issue of the consideration shares (the "**Proposed Transaction**") 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-8 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Transaction on the Group's financial position as at 31 March 2021 as if the Proposed Transaction had taken place at 31 March 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 March 2021, 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 Proposed Transaction at 31 March 2021 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, 20 August 2021

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from Knight Frank, an independent valuer, in connection with its valuation as at 31 May 2021 of Project-HK and Project-Kowloon.



Knight Frank Petty Limited
4/F, Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong
20 August 2021

Chuang's China Investments Limited
25/F, Alexandra House,
No. 18 Chater Road,
Central, Hong Kong

Dear Sir,

Valuation of 2 properties in Hong Kong

INSTRUCTIONS

In accordance with the instructions for us to value the properties to be acquired (the “**Properties**”) by Chuang's China Investments Limited (hereinafter referred to as the “**Company**”). We confirm that we have carried out inspection, made relevant enquiries and carried out 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 in existing state as at 31 May 2021 (the “**Valuation Date**”) for public disclosure purposes.

BASIS OF VALUATION

In arriving at our opinion of the market value, we followed “The HKIS Valuation Standards 2020” issued by The Hong Kong Institute of Surveyors (“**HKIS**”) and “The RICS Valuation — Global Standards 2020” issued by the Royal Institution of Chartered Surveyors (“**RICS**”). Under the said standards, Market Value is defined as:

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

“the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.”

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards 2020” issued by RICS. 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 METHODOLOGY

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In our valuation, we have adopted Market Approach by making reference to the recent market sales evidence which is available in the open market. Appropriate adjustments have been made for any differences in the characteristics between the Properties and the comparable properties. We have also considered the cost of development including construction costs provided by the Company, finance costs, professional fees and developer’s profit which duly reflects the risks associated with the development of the Properties.

VALUATION ASSUMPTIONS AND CONDITIONS

Our valuation is subject to the following assumptions and conditions.

Title Documents and Encumbrances

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Properties are not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing. These assumptions are considered valid by the Company. The Company intends to redevelop the Properties in compliance with the relevant covenants and/or restrictions to which the Properties are subject (including the zoning plan and the government lease as more particularly described below).

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale.

Sources of Information

We have relied to a considerable extent on the information given by the Company. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, ownership, particulars of occupancy, construction costs, floor and site areas, development proposals and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have exercised our due diligence in verifying the provided sites and floor areas by checking against the relevant documents provided. We were also advised by the Company that no material facts have been omitted from the information provided.

Inspection

We have inspected the Properties on 10 June 2021 by Mr. Cyrus Fong, *MRICS MHKIS MCIREA RPS(GP) RICS Registered Valuer*.

Structural and Services Condition

We have carried out visual inspection only without any structural investigation or building survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Properties are free from urgent or significant defects or items of disrepair or any deleterious materials have been used in the construction of the Properties. Our valuation has therefore been undertaken on the assumption that the Properties were in satisfactory repair and condition and contain no deleterious materials and they are in sound order and free from structural faults, rot, infestation or other defects, and that the services are in satisfactory condition.

Compliance with Relevant Ordinances and Regulations

We have assumed the Properties were constructed, occupied and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Properties upon which this report is based, any and all required licenses, permits, certificates, consents, approvals and authorisation have been obtained, excepted only where otherwise stated.

CURRENCY

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong Dollars (HK\$).

We enclose herewith our valuation reports.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited

Cyrus Fong
MRICS MHKIS MCIREA RPS(GP) RICS
Registered Valuer
Senior Director,
Valuation & Advisory

Thomas Lam
FRICS FHKIS MCIREA RPS(GP) RICS
Registered Valuer
Executive Director,
Head of Valuation & Advisory

Note: Mr Thomas Lam is a qualified valuer who has over 21 years of extensive experiences in market research, valuation and consultancy in the PRC, Hong Kong, Macao and Asia Pacific region.

Mr Cyrus Fong is a qualified valuer who has 15 years of extensive experiences in valuation of properties in the PRC, Hong Kong, Macao and Asia Pacific region.

SUMMARY OF VALUES

Item	Property	Market Value in existing state as at 31 May 2021
1	Nos. 16, 18 and 20 Gage Street, Central, Hong Kong	HK\$585,000,000
2	Posco Building, No. 165 Un Chau Street, Cheung Sha Wan, Kowloon, Hong Kong	HK\$435,000,000
Total:		<u>HK\$1,020,000,000</u>

VALUATION

Property to be acquired by the Company for investment and development

Property	Description	Particulars of occupancy	Market value in existing state as at 31 May 2021
1 Nos. 16, 18 and 20 Gage Street, Central, Hong Kong The Remaining Portion of Section A of Inland Lot No. 187, and Section A, Section B and The Remaining Portion of Inland Lot No. 188 (IL187 s.A RP. & IL 188 s.A, s.B & RP.)	Nos. 16, 18 and 20 Gage Street is situated on the southwestern side of Gage Street at its junction with Graham Street in Central of Hong Kong. It comprises 3 parcels of land with a total site area of approximately 3,591 sq. ft. (or 333.6 sq. m.). Two 6-storey tenement blocks are erected on the site with a total saleable area of about 10,665 sq. ft.. The two blocks were completed in 1969 and 1966 respectively. The property comprises the whole of the Remaining Portion, Section A and Section B of Inland Lot No. 188 and the Remaining Portion of Section A of Inland Lot No. 187. Section A, Section B and The Remaining Portion of Inland Lot No. 188 are held under Government Lease for a term of 999 years commencing from 31 August 1844. The Remaining Portion of Section A of Inland Lot No. 187 is held under Government Lease for a term of 999 years commencing from 17 May 1850. The Government Rent of the property is approximately HK\$156 per annum.	As per our inspection, the property was under demolition. According to the latest approved building plan, the property can be redeveloped into a high-rise composite building with a total gross floor area of approximately 34,937 sq. ft..	HK\$585,000,000 (Hong Kong Dollars Five Hundred and Eighty Five Million).

Notes:

- (1) Pursuant to records obtained from the Land Registry, the registered owners of the property as at the Valuation Date are Favour Day Limited and Asian Land Limited, both are the wholly-owned subsidiaries of Central Treasure Investments Limited.
- (2) At the time of our recent search, the following encumbrances were registered against the property:

No. 16 Gage Street:

 - (i) Deed of Mutual Covenant of Right of Way vide memorial no. UB728286 dated 23 February 1970.
 - (ii) Deed of Mutual Covenant vide memorial no. UB741215 dated 1 May 1970.

- (iii) Memorandum of Agreement for Sale and Purchase (by Public Auction) vide memorial no. 20081102160192 dated 14 July 2020.
- (iv) Mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide memorial no. 20090701850185 dated 17 August 2020.
- (v) Rent Assignment in favour of The Hong Kong and Shanghai Banking Corporation Limited vide memorial no. 20090701850190 dated 17 August 2020.
- (vi) Government Notice No. 2153 of 16 April 2021 pursuant to Section 22(2) of the Government Rent and Premium (Apportionment) Ordinance (Cap.125) vide memorial no. 21042301970019 dated 16 April 2021.

No. 18 Gage Street:

- (i) Deed of Mutual Covenant of Right of Way vide memorial no. UB728286 dated 23 February 1970.
- (ii) Deed of Mutual Covenant vide memorial no. UB741215 dated 1 May 1970.
- (iii) Memorandum of Agreement for Sale and Purchase (by Public Auction) vide memorial no. 20081102160192 dated 14 July 2020.
- (iv) Mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide memorial no. 20090701850185 dated 17 August 2020.
- (v) Rent Assignment in favour of The Hong Kong and Shanghai Banking Corporation Limited vide memorial no. 20090701850190 dated 17 August 2020.

No. 20 Gage Street:

- (i) Deed of Mutual Covenant vide memorial no. UB564796 dated 10 December 1966.
- (ii) Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide memorial no. 21071602600340 dated 5 July 2021.
- (iii) Rent Assignment in favour of The Hongkong and Shanghai Banking Corporation Limited vide memorial no. 21071602600355 dated 5 July 2021.

- (3) The property is situated within an area zoned as “Residential (Group A) 9” under the Approved Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/34 dated 3 November 2020 as at the Valuation Date. Moreover, the use and development of the property are governed by the Government Leases of Inland Lot Nos. 187 and 188. There is a non-offensive trade clause under the leases.
- (4) According to the approved building plan provided by the Company, the property is planned to be re-developed into a 26-storey composite building including a 3-storey commercial podium with a total gross floor area of approximately 34,937 sq. ft.. The redevelopment of the property is expected to be completed in July 2024.

- (5) We have taken reference to a number of site comparables for our valuations. We have taken 5 site comparables situated in Mid-level and Hong Kong South. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the properties and the site comparables such as time, location, site area of the site in arriving at our opinion on the market value. Summaries of these comparables are shown below:

Site Address	Date of Transaction	Consideration (HK\$)	Site area (sq. ft.)	Maximum GFA (sq. ft.)	Accommodation Value (HK\$ per sq. ft.)
No. 105 Robinson Road	25 March 2021	2,505,000,000	27,530	137,650	18,198
IL5286 and IL5287, Nos. 326–332 Des Voeux Road West and Nos. 11A–11D Sai On Lane	20 May 2020	700,000,000	6,172	55,548	12,602
APIL137, Ap Lei Chau Praya Road, Ap Lei Chau	27 May 2020	1,332,800,000	12,150	88,282	15,097
No. 35 Kennedy Road, Wan Chai	3 May 2019	463,024,000	4,443	22,215	20,843
Nos. 73–73E Caine Road	17 October 2017	1,049,250,000	6,781	59,605	17,603

For the time factor, we have taken reference to market research, sale record and Private Domestic-Price Indices by Class (Territory-Wide) Classes A, B & C issued by the Rating and Valuation Department (RVD). In considering the location factor, we have made reference to the accessibility, the public transportation facility nearby and the locality. For the size factor, larger scale of site is superior in flexibility on flat mix as well as the efficiency ratio. In our valuation, the comparables adopted were with an accommodation value ranged from about HK\$12,602 to HK\$20,843 per sq. ft. and the we concluded our valuation was HK\$585,000,000 with equivalent to an accommodation value of about HK\$16,744 per sq. ft..

- (6) Based on the information provided by the Company and reference has been made to the cost data published in June 2021 by a professional quantity surveyor, the total estimated construction cost (including demolition cost and professional fees) is approximately HK\$276,000,000 and the outstanding construction cost as at the Valuation Date was HK\$269,000,000. The estimated gross development value of the proposed development assuming 100% interest of the whole development site, on an immediate vacant possession basis and assuming it was completed in accordance with the proposed development scheme provided as at the Valuation Date was in the sum of HK\$1,030,000,000 (Hong Kong Dollars One Billion and Thirty Million).

VALUATION

Property to be acquired by the Company for investment and development

Property	Description	Particulars of occupancy	Market value in existing state as at 31 May 2021
2 Posco Building, No. 165 Un Chau Street, Cheung Sha Wan, Kowloon, Hong Kong	No. 165 Un Chau Street is situated on the southwestern side of Un Chau Street at its junction with Camp Street in Cheung Sha Wan of Kowloon. It comprises a parcel of land with a site area of approximately 3,920 sq. ft. (or 364.2 sq. m.). The property is a 13-storey commercial and industrial building (including ground floor) with a total saleable area of about 40,109 sq. ft. and is completed in 1970.	As advised by the Company, the existing building is leased under various tenancies with the latest expiry in February 2024. The total monthly rent is approximately HK\$669,514 exclusive of licence fee, government rates, management fee and utility charge.	HK\$435,000,000 (Hong Kong Four Hundred Thirty Five Million).
The Remaining Portion of New Kowloon Inland Lot No. 432 (NKIL 432 RP.) (the "Lots")	The property comprises the whole of the Remaining Portion of New Kowloon Inland Lot No. 432. The Lots are held under Government Lease for a term of 75 years renewable for 24 years commencing from 1 July 1898 and had been extended to 30 June 2047. The Government Rent of the property is at 3% of the rateable value per annum.		

Notes:

- (1) Pursuant to records obtained from the Land Registry, the registered owner of the property as at the Valuation Date is Easy Success Enterprises Limited and the property was acquired by Easy Success Enterprises Limited at a consideration of HK\$301,200,000 on 31 July 2017.
- (2) At the time of our recent search, the following encumbrances were registered against the property:
 - (i) Mortgage in favour of Bank of China (Hong Kong) Limited for all moneys vide memorial no. 17082202130031 dated 31 July 2017.
 - (ii) Assignment of Rentals and Sale Proceeds in favour of Bank of China (Hong Kong) Limited vide memorial no. 17082202130042 dated 31 July 2017.
- (3) The property is situated within an area zoned as "Residential (Group A) 7" under the Approved Cheung Sha Wan Outline Zoning Plan No. S/K5/37 dated 6 December 2016 as at the Valuation Date. Moreover, the use and development of the property are governed by the Government Lease of Kowloon Inland Lot No. 432. There is a non-offensive trade clause under the lease.
- (4) According to the redevelopment scheme provided by the Company, the property is permitted to be redeveloped into a 25-storey composite building including a 2-storey commercial podium with a total gross floor area of 35,280 sq. ft.. The estimated construction period is about 3 years.

- (5) We have taken reference to a number of site comparables for our valuations. We have taken 3 site comparables situated in West of Kowloon respectively. Appropriate adjustments have been made in our valuation to reflect the differences in the characteristics between the properties and the site comparables such as time, location, site area of the site in arriving at our opinion on the market value. Summaries of these comparables are shown below:

Site Address	Date of Transaction	Consideration (HK\$)	Site area (sq. ft.)	Maximum GFA (sq. ft.)	Accommodation Value (HK\$ per sq. ft.)
Nos. 7-9A Cheung Wah Street	29 April 2020	268,000,000	2,250	19,440	13,786
No. 300 Castle Peak Road	25 June 2019	118,000,000	1,175	10,576	11,157
No. 31 Fuk Tsun Street	27 May 2019	410,000,000	4,403	39,628	10,346

For the time factor, we have taken reference to market research, sale record and Private Domestic-Price Indices by Class (Territory-Wide) Classes A, B & C issued by the Rating and Valuation Department (RVD). In considering the location factor, we have made reference to the accessibility, the public transportation facility nearby and the locality. For the size factor, larger scale of site is superior in flexibility on flat mix as well as the efficiency ratio. In our valuation, the comparables adopted were with an accommodation value ranged from about HK\$10,346 to HK\$13,786 per sq. ft. and the we concluded our valuation was HK\$435,000,000 with equivalent to an accommodation value of about HK\$12,330 per sq. ft..

- (6) Based on the information provided by the Company and reference has been made to the cost data published in June 2021 by a professional quantity surveyor, the total estimated construction cost (including demolition cost and professional fees) is approximately HK\$206,000,000. The estimated gross development value of the proposed development assuming 100% interest of the whole development site, on an immediate vacant possession basis and assuming it was completed in accordance with the proposed development scheme provided as at the Valuation Date was in the sum of HK\$779,000,000 (Hong Kong Dollars Seven Hundred Seventy Nine Million).

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. SHARE CAPITAL

The authorized and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the allotment and issue of the maximum number of Consideration Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion) will be as follows:

(a) As at the Latest Practicable Date

		<i>HK\$</i>
Authorized share capital:		
<u>18,000,000,000</u>	Shares of HK\$0.05 each	<u>900,000,000.00</u>
Issued and fully paid:		
<u>2,348,835,316</u>	Shares of HK\$0.05 each	<u>117,441,765.80</u>

(b) Immediately after the allotment and issue of the maximum number of Consideration Shares

		<i>HK\$</i>
Authorized share capital:		
<u>18,000,000,000</u>	Shares of HK\$0.05 each	<u>900,000,000.00</u>
Issued and fully paid:		
2,348,835,316	Shares as at the Latest Practicable Date	117,441,765.80
<u>1,065,454,545</u>	Maximum number of Consideration Shares to be issued	<u>53,272,727.25</u>
<u>3,414,289,861</u>		<u>170,714,493.05</u>

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting.

The Consideration Shares, when issued and fully paid, will rank *pari passu* in all respects with each other and with the Shares in issue at the time of allotment and issue of the Consideration Shares, except that the holder(s) of the Consideration Shares shall not be entitled to receive the Proposed Conditional Chuang's China Special Cash Distribution and any dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the date of allotment and issue of the Consideration Shares.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. Subject to the granting of listing of, and permission to deal in, the Consideration Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Consideration Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consideration Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

3. 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:

(i) Interests in the Company

Name of Director	Nature of interest	Number of Shares	Percentage of shareholding
Mr. Neville Charles Kotewall	Spouse <i>(Note)</i>	1,255,004	0.05%

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

*(ii) Interests in associated corporations**(a) EHL*

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

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

(b) Interests in Chuang's Consortium

Name of Director	Nature of interest	Number of shares	Percentage of shareholding
Mr. Albert Chuang Ka Pun	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 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 Enlarged Group which was significant in relation to the business of the Enlarged 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 2021, 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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged 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 Enlarged 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 Ka Pun, Miss Ann Li Mee Sum, Mr. Edwin Chuang Ka Fung and Mr. Geoffrey Chuang Ka Kam hold directorships in Chuang's Consortium, and Mr. Albert Chuang Ka Pun, Mr. Edwin Chuang 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.

4. LITIGATION

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*) 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 the final judgement from 最高人民法院 (Supreme People's Court*) which accepted the Group's certain appeal opinions and requests and made a revision of the judgement payments in favour of the Group. The PRC parties shall pay the revised judgement payments within 30 days upon receipt of the final judgement, yet they failed to make these payments within this 30 days period. In this respect, the Group has made application to the court to enforce the final judgement. The enforcement application was accepted by the court in March 2021, and the enforcement is currently in progress.

The Company announced on 22 June 2017, 22 November 2017, 13 December 2017, 25 April 2018 and 12 February 2019 respectively 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 Enlarged Group was 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 any member of the Enlarged Group.

5. EXPERTS AND CONSENTS

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

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Knight Frank	Professional surveyor and valuer
Halcyon Capital	A corporation licensed to carry out Type 6 of the regulated activities under the SFO

* *English translation only*

As at the Latest Practicable Date, the above experts had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice and opinion and references to its name in the form and context in which it appeared.

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

As at the Latest Practicable Date, the above experts did not have any interest in any assets which have been, since 31 March 2021 (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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. MATERIAL CONTRACTS

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

- (i) the sale and purchase agreement dated 30 April 2020 entered into between Bizking Limited (“**BL**”), an indirect 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;
- (ii) the conditional sale and purchase agreement dated 9 February 2021 entered into amongst the Purchaser, FS Dongguan No. 6 Ltd, the Company and First Sponsor Group Limited, in relation to the disposal of the entire issued share capital of Double Wealthy Company Limited (“**Double Wealthy**”) and the entire amount of the loan owing by Double Wealthy to the Purchaser for a consideration of not more than approximately RMB1,564 million (subject to adjustments), details of which were set out in the announcement and the circular of the Company dated 11 February 2021 and 19 March 2021 respectively;
- (iii) the conditional sale and purchase agreement dated 9 February 2021 entered into between Guangzhou Heng Yang Investment Services Limited* (廣州恒陽投資諮詢服務有限公司), an indirect wholly-owned subsidiary of the Company, First Sponsor (Guangdong) Group Limited* (首鑄(廣東)集團有限公司) and Shoucheng (Dongguan) Real Estate Co., Ltd* (首誠(東莞)房地產有限公司) in relation to the disposal of the entire issued share capital of Guangzhou Kai Xiang Properties Management Company Limited* (廣州市凱翔物業管理有限公司) for a consideration of not more than approximately RMB10.5 million (subject to adjustments), details of which were set out in the announcement and the circular of the Company dated 11 February 2021 and 19 March 2021 respectively; and

* *English translation only*

- (iv) the Sale and Purchase Agreement.

7. GENERAL

- (i) 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 Chartered Governance Institute.
- (ii) 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.
- (iii) 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.
- (iv) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

8. 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 2019, 2020 and 2021;
- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this circular;
- (iv) the letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 26 and 67 of this circular;
- (v) the accountant's report of the Central Treasure Group, the text of which is set out in Appendix IIA to this circular;
- (vi) the accountant's report of Easy Success, the text of which is set out in Appendix IIB to this circular;
- (vii) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

- (viii) the valuation report prepared by Knight Frank in relation to Project-HK and Project-Kowloon, the text of which is set out in Appendix V to this circular;
- (ix) the written consents referred to in the paragraph headed “Experts and Consents” in this Appendix;
- (x) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix; and
- (xi) 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 (“**SGM**”) of Chuang's China Investments Limited (the “**Company**”) will be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 14 September 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“THAT:

- (i) the conditional sale and purchase agreement dated 29 June 2021 (“**SP Agreement**”) entered into amongst Chuang's China Realty Limited (“**Purchaser**”), Energy Hero Limited and Fanus Limited (collectively as “**Vendors**”), the Company (as the Purchaser's guarantor) and Chuang's Consortium International Limited (as the Vendors' 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 Vendors to the Purchaser of the entire issued share capital of Central Treasure Investments Limited (“**Central Treasure**”) and Easy Success Enterprises Limited (“**Easy Success**”) and the entire amount of the shareholders' loans owing by Central Treasure and Easy Success to the respective Vendors immediately prior to the completion of the SP Agreement at an estimated consideration of approximately HK\$586 million (subject to adjustments in accordance with the terms and conditions of the SP Agreement), the terms thereof and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the approval of the listing of, and permission to deal in, the ordinary shares to be issued by the Company in satisfaction of the consideration payable by the Purchaser under the SP Agreement (the “**Consideration Shares**”), the directors of the Company be and are hereby granted the specific mandate to allot and issue the Consideration Shares and take all such steps and do all such acts as may be necessary or expedient in order to give effect to the same; and

NOTICE OF SGM

(iii) 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 to execute all such documents which they consider necessary, desirable, or expedient in connection with (a) the implementation or completion of the SP Agreement and the transactions contemplated thereunder and/or (b) any variation, amendments or waiver of the terms of the SP Agreement.”

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

Hong Kong, 20 August 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

Notes:

1. A member entitled to attend and vote at the SGM 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 SGM or any adjournment thereof (as the case may be).
3. The record date for determining the entitlement of the shareholders to attend and vote at the SGM will be Monday, 6 September 2021. All transfers of shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Progressive Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 6 September 2021.
4. For joint registered holders of any shares of the Company, any one of such persons may vote at the SGM, 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 the SGM 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.

NOTICE OF SGM

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 SGM:
- (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 SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM 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.