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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in **Sino Harbour Holdings Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the transferee.

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### **Sino Harbour Holdings Group Limited** **漢港控股集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1663)**

#### **MAJOR TRANSACTION**

#### **DEEMED DISPOSAL OF EQUITY INTEREST OF A SUBSIDIARY**

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Capitalised terms used in this cover page have the same respective meanings as defined in this circular.

A letter from the Board is set out on pages 3 to 9 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholders' approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

Hong Kong, 13 January 2023

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## DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day on which banks of Hong Kong are generally open for ordinary banking business (excluding Saturdays, Sundays and Hong Kong public holidays)
“Capital Increase”	the proposed capital contribution in Leping Runze by the Investor, subject to and in accordance with the terms and conditions of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 23 November 2022 entered into among Fenghuang Jincheng, the Investor and Leping Runze
“Company”	Sino Harbour Holdings Group Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of Stock Exchange
“connected person(s)”	has the same meaning ascribed under the Listing Rules
“Deemed Disposal”	the reduction of the Group’s effective percentage equity interest in Leping Runze from approximately 51.00% to approximately 1.82%
“Director(s)”	the directors of the Company
“Fenghuang Jincheng”	Leping City Fenghuang Jincheng Industry Co., Ltd.* (樂平市鳳凰金誠實業有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	a person or company who or which is, to the best of the Directors’ knowledge, information and belief, after having made all reasonable enquiries, independent of and not connected with the Company and its connected persons
“Investor”	Fuzhou Jinpeng Real Estate Co., Ltd.* (撫州鯨鵬置業有限公司), a limited liability company established in the PRC

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## DEFINITIONS

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“Latest Practicable Date”	9 January 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Leping Runze”	Leping Runze Real Estate Development Co., Ltd. (樂平市潤澤房地產開發有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2023
“Mr. Wong”	Mr. Wong Lam Ping, the chairman, chief executive officer, executive Director and general manager of the Company
“Ms. Chan”	Ms. Chan Heung Ling, the wife of Mr. Wong
“PRC” or “China”	the People’s Republic of China and, for the purpose of this circular, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Project”	a residential and commercial property project under construction held by Leping Runze in Leping City, Jiangxi Province, the PRC, which will be developed into residential and ancillary commercial properties of saleable GFA 157,504 sq.m.
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holders of the shares of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

\* *The English translation of Chinese name(s) in this circular, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

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# LETTER FROM THE BOARD

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## Sino Harbour Holdings Group Limited

### 漢港控股集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1663)**

*Executive Directors:*

Mr. WONG Lam Ping (*Chairman, Chief Executive Officer  
and General Manager*)

Mr. SHI Feng (*Deputy Chairman*)

Mr. WONG Lui

Ms. GAO Lan

*Non-Executive Director:*

Mr. CHAN Kin Sang

*Independent Non-Executive Directors:*

Mr. XIE Gang

Mr. HE Dingding

Mr. WONG Ping Kuen

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of business  
in Hong Kong:*

Room 1215, Tower B

Hunghom Commercial Centre

37-39 Ma Tau Wai Road

Hunghom, Kowloon

Hong Kong

13 January 2023

*To the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION

### DEEMED DISPOSAL OF EQUITY INTEREST OF A SUBSIDIARY

#### INTRODUCTION

Reference is made to the announcement of the Company dated 23 November 2022 in relation to the Deemed Disposal.

The purpose of this circular is to provide you with, among other things, further particulars of the Deemed Disposal and other information as required under the Listing Rules.

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# LETTER FROM THE BOARD

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## THE CAPITAL INCREASE AGREEMENT

The Board announces that, on 23 November 2022, Fenghuang Jincheng and Leping Runze, each an indirect non-wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with the Investor, pursuant to which, the Investor agreed to contribute additional capital to the registered capital of Leping Runze in an amount of RMB162 million. Upon completion of the Deemed Disposal, the equity interest in Leping Runze will be held by Fenghuang Jincheng and the Investor as to approximately 3.57% and 96.43%, respectively. Accordingly, Leping Runze will then cease to be a subsidiary of the Company and its financial results will not be consolidated into the consolidated financial statements of the Group. As such, the Capital Increase constitutes a deemed disposal of the Group's equity interest in Leping Runze under Chapter 14 of the Listing Rules.

### Principal terms of the Capital Increase Agreement

#### Date

23 November 2022 (after trading hours)

#### Parties

- (1) Fenghuang Jincheng;
- (2) Investor; and
- (3) Leping Runze.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, each of the Investor and its ultimate beneficial owners as at the Latest Practicable Date, is an Independent Third Party.

To the best of the directors' knowledge, information and belief, after having made all reasonable enquiries, there is, and in the past twelve months, there has been, no material loan arrangement between (a) Fuzhou Jinpeng Real Estate Co., Ltd., any of its directors and legal representatives and/or any ultimate beneficial owner(s) of Fuzhou Jinpeng Real Estate Co., Ltd. who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction).

### Capital Increase

Pursuant to the Capital Increase Agreement, the Investor shall make capital contribution in the amount of RMB162 million in Leping Runze, of which the entirety will be included in the registered capital of Leping Runze.

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## LETTER FROM THE BOARD

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Upon completion of the Deemed Disposal in accordance with the Capital Increase Agreement, the registered capital of Leping Runze will be increased from RMB6 million to RMB168 million and Fenghuang Jincheng and the Investor will hold approximately 3.57% and 96.43% equity interest in Leping Runze, respectively. As a result of the Capital Increase, Leping Runze will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group.

### ***Condition Precedent***

The completion of the Deemed Disposal is conditional upon the fulfilment of the following condition precedent:

Fenghuang Jincheng and the Company having complied with all necessary internal procedures (including shareholders' and/or directors' approvals as required by laws, regulations and the Listing Rules), and obtained all necessary approvals and consents from the Stock Exchange and other third parties (including the relevant regulatory and governmental authorities (if applicable)).

The aforementioned condition precedent cannot be waived. In the event that the aforementioned condition precedent has not been fulfilled prior to the Long Stop Date, the Capital Increase Agreement shall be terminated automatically and cease to have any effect. All rights, obligations and liabilities of Fenghuang Jincheng and the Investor under the Capital Increase Agreement shall be discharged and neither Fenghuang Jincheng and the Investor shall have any claim against each other, save for antecedent breaches and otherwise provided in the Capital Increase Agreement.

As at the Latest Practicable Date, the aforementioned condition precedent has not been fulfilled.

### ***Payment Terms***

The Investor shall complete the Capital Increase by payment of capital contribution sum in the amount of RMB162 million by way of cash contribution and/or repayment of debts owed by Leping Runze before 31 December 2026.

### ***Basis of the Capital Contribution Sum***

The capital contribution sum was determined among the parties to the Capital Increase Agreement after arm's length negotiations with reference to the (i) the net liabilities position of approximately RMB8.2 million recorded in the unaudited financial statements for the year ended 31 March 2022 of Leping Runze when the parties entered into the Capital Increase Agreement; (ii) the fair value of Leping Runze of approximately (RMB471,000) and the respective percentages of equity interest as held by Fenghuang Jincheng and the Investor on a fully paid-up and enlarged basis; and (iii) other factors as set out in the paragraph headed "Reasons for and Benefits of the Deemed Disposal" below.

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## LETTER FROM THE BOARD

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### REASONS AND BENEFITS FOR THE DEEMED DISPOSAL

The Group is principally engaged in property development in second and third tier cities in China. The property projects of the Group include residential properties, detached housing, apartments, retails as well as commercial properties.

The Capital Increase would allow Leping Runze to have sufficient working capital to fund the existing and future land development projects owned by it, thus improving the financial position and future prospects of Leping Runze. As at the Latest Practicable Date, Leping Runze held a residential and commercial property project under construction in Leping City, Jiangxi Province, the PRC, which will be developed into residential and ancillary commercial properties of saleable GFA 157,504 sq.m. (the “**Project**”). As the result of the policy initiations regarding the property market in the PRC, such as “Three Red Lines” by banks, the overall financing environment in the property development market has gradually been tightened, the difficulty and cost of financing have substantially increased. In view of the challenging property market conditions in the PRC, the decline in sales prices of the property units in the second and third tier cities in China including where the Project is located and the expected difficulty in obtaining sufficient financing for development of the Project, it is estimated that the Group may incur losses if the Group continues to invest in Leping Runze. Therefore, the Board considers that the further capital injection by the Group in Leping Runze to develop the Project would not be in the Group’s best interests. Instead, the Deemed Disposal will allow the Group to better optimise the allocation of the Group’s resources by focusing its resources on other projects while also allowing to discharge current guarantee obligations owed to Leping Runze, release it from its obligations to make further capital injections to Leping Runze, reduce the financial risks to the Group and minimise losses. As for the prolonged period of time for the payment of capital contribution sum by the Investor before 31 December 2026, the Directors understand that although the Investor was in the process of arranging relevant financing, it may require a prolonged period of time for the full amount due to the volatility of the financial markets. Furthermore, the Directors consider that the period of time for the payment of capital contribution sum is acceptable given that it provides more certainty to raise the funds for Leping Runze in light of the overall financing environment in the property development market as mentioned above.

The Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement and the transactions contemplated thereunder, including the Deemed Disposal, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.



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## LETTER FROM THE BOARD

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### **Financial Effects of the Deemed Disposal**

The Group's effective percentage equity interest in Leping Runze will be reduced from approximately 51.00% to approximately 1.82%, which constitutes a deemed disposal of approximately 49.18% equity interest in Leping Runze by the Company. As Leping Runze will cease to be a subsidiary of the Company, its results, assets and liabilities will no longer be consolidated in the consolidated financial statements of the Group. Based on the existing information available to the Company and given that Leping Runze has net liabilities, the expected gain from the Deemed Disposal as at 31 October 2022 will be approximately RMB7 million, mainly comprising approximately RMB14.0 million of written-off of net liabilities net off with the derecognition of non-controlling interest amounted to approximately RMB6.8 million.

Upon completion of the Deemed Disposal, it is expected that the consolidated total assets of the Group would decrease by approximately RMB352.6 million and the consolidated total liabilities of the Group would decrease by approximately RMB366.6 million.

The aforesaid estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after the Deemed Disposal.

### **USE OF AMOUNT RECEIVED FROM THE CAPITAL INCREASE**

The amount of the Capital Increase provided by the Investor will be used by Leping Runze mainly for repayment of amount due to the Group amounted to approximately RMB105 million for funding the existing and future land development projects owned by it.

### **INFORMATION OF THE PARTIES TO THE CAPITAL INCREASE AGREEMENT**

Fenghuang Jincheng and Leping Runze are each an indirect non-wholly-owned subsidiary of the Company. Fenghuang Jincheng is a company established in the PRC with limited liability and owned indirectly as to 51% by the Company and owned directly as to 49% by Jiangxi Dongjing Real Estate Development Co., Ltd.\* (江西東景房地產開發有限公司), which is in turn owned as to 65% and 35% by Mr. Chen Jun (陳軍) and Mr. Chen Liming (陳黎明), respectively. Fenghuang Jincheng is principally engaged in property development. Leping Runze is a company established in the PRC with limited liability and wholly owned by Fenghuang Jincheng. Leping Runze is principally engaged in property development.

The Investor is a company established in the PRC with limited liability, and is principally engaged in property development. The Investor is wholly owned by Nanchang Jingjiu Real Estate Co., Ltd.\* (南昌市鯨九置業有限責任公司), which is in turn owned as to 60% and 40% by Mr. Chen Xu (陳旭) and Mr. Tang Yongzhong (唐永忠), respectively. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, both Mr. Chen Xu and Mr. Tang Yongzhong are Independent Third Parties.

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## LETTER FROM THE BOARD

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Set out below is the consolidated financial information of Leping Runze for the periods indicated prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which reflects the financial impact of Leping Runze on the Group:

	<b>As at 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Total assets	324,868	209,851
Net (liabilities)/assets	(8,153)	–

	<b>For the years ended</b>	
	<b>31 March</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss before taxation	(8,153)	–
Net loss after taxation	(8,153)	-

### IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Deemed Disposal exceed 25%, but do not exceed 75%, the Deemed Disposal constitutes a major transaction for the Company and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Deemed Disposal as contemplated under the Capital Increase Agreement and therefore none of the Shareholders and their associates is required to abstain from voting if a general meeting was to be convened by the Company for the approval of the Deemed Disposal. As such, the Deemed Disposal may be approved by written Shareholders' approval in accordance with Rule 14.44 of the Listing Rules. The Company has obtained the written approval from a closely allied group of Shareholders, comprising Extra Good Enterprises Limited, Mr. Wong and Ms. Chan, which are beneficially interested in an aggregate of 1,255,181,153 Shares, representing approximately 50.94% of the issued share capital of the Company as at the date of the Capital Increase Agreement and the Latest Practicable Date, to approve the Deemed Disposal. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Deemed Disposal under Rule 14.44 of the Listing Rules.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including all the independent non-executive Directors) consider that the terms of the Capital Increase Agreement are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the Capital Increase Agreement and the transactions contemplated thereunder, respectively at such general meeting.

### ADDITIONAL INFORMATION

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

### MISCELLANEOUS

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

Yours faithfully,  
For and on behalf of the Board  
**Sino Harbour Holdings Group Limited**  
**Wong Lam Ping**  
*Chairman, Chief Executive Officer,  
Executive Director and General Manager*

**1. FINANCIAL INFORMATION**

Financial information of the Group for each of the three years ended 31 March 2020, 2021 and 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sinoharbour.com.hk](http://www.sinoharbour.com.hk)):

- annual report of the Company for the year ended 31 March 2020 published on 21 July 2020 (pages 95 to 228):

**<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0721/2020072100609.pdf>**

- annual report of the Company for the year ended 31 March 2021 published on 20 July 2021 (pages 111 to 232):

**<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0720/2021072001083.pdf>**

- annual report of the Company for the year ended 31 March 2022 published on 28 July 2022 (pages 119 to 240):

**<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072801024.pdf>**

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 30 November 2022, being the latest practicable date for the purpose of this statement of indebtedness, the Group's indebtedness includes:

- (i) secured bank borrowings of approximately RMB425,425,000;
- (ii) lease liabilities of approximately RMB13,730,000; and
- (iii) financial guarantees of approximately RMB980,329,000.

**Borrowings and pledged assets**

As at the close of business on 30 November 2022, the Group's borrowings were secured by:

- (i) investment properties of the Group with a carrying amount of RMB1,165,237,000;
- (ii) property, plant and equipment of the Group with a carrying amount of RMB45,690,000;  
and
- (iii) bank deposit of the Group of RMB5,500,000.

**Financial guarantee**

As at 30 November 2022, the Group provided guarantees to the extent of approximately RMB980,329,000 to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group. These guarantees provided by the Group to the banks would be released upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within one or two years after the purchasers take possession of the relevant properties; or (ii) the satisfaction of mortgaged loans by the purchasers of properties.

The Directors confirm that as of 30 November 2022, being the latest practicable date for the purpose of this indebtedness statement, save as disclosed above, the Group did not have any issued and outstanding, or authorised or otherwise created but unissued debt securities, term loans, other borrowings, indebtedness, mortgages and charges, contingent liabilities and guarantees.

**3. WORKING CAPITAL**

The Directors, after due and careful enquiries and taking into consideration the financial resources available to the Group, including banking facilities and other internal resources, are of the opinion that the Group will have sufficient working capital for at least the next 12 months commencing from the date of this circular.

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

**4. FINANCIAL AND TRADING PROSPECTS**

Upon completion of the Deemed Disposal, the Group remains focused on property development. We will adhere to our philosophy of “seeking steady progress” when developing our property development business, which will grow in tandem with our prospering “big health” business. With the easing of real estate policies in 2022, we will seize new opportunities, take solid steps and forge ahead. The Board will implement prudent and flexible financial policies to bring long-term returns to our Shareholders, while remaining cautious in a rapidly changing environment.

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2022 of the property interest held by Leping Runze.*



Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
7/F One Taikoo Place 979 King's Road Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Company Licence No.: C-030171

13 January 2023

The Board of Directors  
**Sino Harbour Holdings Group Limited**  
Room 1215, Tower B  
Hungohm Commercial Centre  
37-39 Ma Tau Wai Road, Hungohm, Kowloon  
Hong Kong

Dear Sirs,

In accordance with the instructions of Sino Harbour Holdings Group Limited (the “**Company**”) to value the property interest held Leping Runze Real Estate Development Co., Ltd. (樂平市潤澤房地產開發有限公司, “**Leping Runze**”, a 51%-owned subsidiary of the Company) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interest as at 31 October 2022 (the “**valuation date**”).

Our valuation is carried out on a market value basis. 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”.

In our valuation of the property, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

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

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and Leping Runze and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Construction Land Use Rights Grant Contracts, Real Estate Title Certificates, Construction Land Planning Permit and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Adviser – Beijing Hao Tian (Nanchang) Law Firm, concerning the validity of the property interest in the PRC.

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

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

Inspection of the property was carried out in the first quarter of 2021. Due to the unfavourable effect of the novel coronavirus and certain restrictions on travelling in Guangdong Province, subsequent re-inspection of the property was carried out in December 2022 by Ms. Mia Lei by way of video calls. She has more than 5 years' experience in the valuation of properties in the PRC. Our inspection of the valuation of the property has been based on the above alternative procedure. Such alternative procedure is compliant with HKIS Valuation Standard 2020, VS.7.1.5 and VS.7.1.8, and we are of the view that the alternative procedure does not have any material impact on our valuations of the property. We have tried to have a comprehensive understanding on the situations of the property, although there may still be omissions or incompleteness in the above alternative procedures. Such omissions or incompleteness may arise from the lack of onsite inspections include, for example, as to the exact physical properties of the land and fixtures thereon. However, based on the alternative procedures already adopted, we do not expect such discrepancies to be material in nature.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and Leping Runze. We have also sought confirmation from the Company and Leping Runze that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

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

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in this particular market sector remains stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of this property under frequent review.

Our valuation certificate is attached below for your attention.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Eddie T. W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Senior Director*

*Note:*

Eddie T. W. Yiu is a Chartered Surveyor who has 28 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.



## VALUATION CERTIFICATE

## Property interest held for future development by Leping Runze in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 October 2022 RMB
Fenghuang Yulongwan No. 998 Dongfeng North Road Leping City Jingdezhen City Jiangxi Province The PRC (樂平鳳凰御龍灣)	Fenghuang Yulongwan is located at No. 998 Dongfeng North Road, Leping City, Jingdezhen City, Jiangxi Province. It is well-served by public transportation with about 20 minutes' driving distance to Leping Railway Station. The locality of the property is a well-developed residential and commercial area served with public facilities and transportation.  Fenghuang Yulongwan comprises a parcel of land with a total site area of approximately 64,322.20 sq.m., which will be developed into a residential and commercial development in three phases.  Fenghuang Yulongwan was under development as at the valuation date and is scheduled to be completed in October 2023.	As at the valuation date, the property was under construction.	348,000,000

As advised by the Company and Leping Runze, the property has a total planned gross floor area of approximately 197,185 sq.m. The details are set out as below:

Usage	Planned Gross Floor Area (sq.m.)
Residential	151,385.65
Retail	6,118.69
Kindergarten	2,022.95
Ancillary	5,514.83
Basement (inclusive of 1,321 car parking spaces)	32,142.88
<b>Total:</b>	<b>197,185</b>

As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB823,700,000, of which approximately RMB327,400,000 had been incurred up to the valuation date.

The land use rights of the property have been granted for terms expiring on 22 September 2090 for residential use and 22 September 2060 for commercial use.

*Notes:*

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract – 36202005020029 dated 23 September 2020, the land use rights of a parcel of land with a total site area of approximately 64,322.20 sq.m. have been granted to Leping Runze for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The total land premium was RMB230,810,000.
2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 360281202000040, permissions towards the planning of a parcel of land with a site area of approximately 64,322.20 sq.m. have been granted to Leping Runze.
3. Pursuant to a Real Estate Title Certificate – Gan (2021) Le Ping Shi Bu Dong Chan Quan Di No. 0024951, the land use rights of a parcel of land with a site area of approximately 64,322.20 sq.m. have been granted to Leping Runze for terms expiring on 22 September 2090 for residential use and 22 September 2060 for commercial use.
4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 360281202100002 in favour of Leping Runze, Fenghuang Yulongwan with a gross floor area of approximately 197,185.86 sq.m. have been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits – Nos. 360281202108050101 and 360281202201200101 in favour of Leping Runze, permissions by the relevant local authority were given to commence the construction of Phase I and Phase II of Fenghuang Yulongwan with a gross floor area of approximately 117,038.81 sq.m.
6. Pursuant to 4 Pre-sale Permits – (Le) Fang Yu Shou Zheng Di Nos. 2021-44, 2022-16, 2022-21 and 2022-22 in favour of Fenghuang Yulongwan, Leping Runze is entitled to sell portions of Fenghuang Yulongwan (representing a total gross floor area of approximately 55,268 sq.m.) to purchasers.
7. As advised by the Group and Leping Runze, various residential units with a total gross floor area of approximately 33,563.56 sq.m. of the property have been pre-sold to various third parties at a total consideration of RMB159,083,507. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.
8. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB912,200,000.
9. Our valuation has been made on the following basis and analysis:

We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB5,000 to RMB7,000 per sq.m. for residential units, RMB8,000 to RMB10,000 per sq.m. for retail units on the first floor and RMB50,000 to RMB70,000 per lot for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

10. We have been provided with a legal opinion regarding the property interest by the Company’s PRC Legal Advisers, which contains, *inter alia*, the following:
- a. Leping Runze is legally and validly in possession of the land use rights of the property. Leping Runze has the rights to occupy, use, earn income or otherwise dispose of the land use rights of the property in accordance with laws;
  - b. Leping Runze has obtained requisite construction work permits in respect of the actual development progress; and
  - c. Leping Runze has the rights to pre-sell portions of the property according to the obtained Pre-sale Permits.
11. A summary of major certificates/approvals is shown as follows:
- |    |  |         |
|----|--|---------|
| a. | State-owned Construction Land Use Rights Grant Contract                          | Yes     |
| b. | State-owned Land Use Rights Certificate/Real Estate Title Certificate (for land) | Yes     |
| c. | Construction Land Planning Permit  | Yes     |
| d. | Construction Work Planning Permit  | Yes     |
| e. | Construction Work Commencement Permit  | Portion |
| f. | Pre-sale Permit  | Portion |
| g. | Construction Work Completion and Inspection Certificate/Table                    | N/A     |

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The Directors

**Sino Harbour Holdings Group Limited**

Room 1215, Tower B

Hungohm Commercial Centre

37-39 Ma Tau Wai Road

Hungohm, Kowloon, Hong Kong

Date: 13 January 2023

**Our Ref.: P/HK/2022/VAL/0040**

Dear Sirs,

**RE: VALUATION OF THE MARKET VALUE OF 100% EQUITY INTERESTS IN 樂平市潤澤房地產開發有限公司**

In accordance with your instructions, we have undertaken a valuation on behalf of Sino Harbour Holdings Group Limited (the “**Company**”) to determine the market value (“**Market Value**”, to be defined below) of the 100% equity of Leping Runze Real Estate Development Co., Ltd. (樂平市潤澤房地產開發有限公司, hereafter abbreviated as the “**Target Company**” or “**Leping Runze**”) as at 31 October 2022 (“**Valuation Date**”).

The Company holds 51% equity interest in Leping City Fenghuang Jincheng Industry Co., Ltd. (樂平市鳳凰金誠實業有限公司) (“**Fenghuang Jincheng**”), which in turns holds 100% equity interest in the Target Company.

The Target Company is principally engaged in property development in China and held a residential and commercial property project under construction in Leping City, Jiangxi Province, the PRC. It will be developed into residential and ancillary commercial properties of saleable GFA 157,504 sq.m.

According to the Company’s instructions, we have adopted and relied on the valuation of the property (the “**Property**”) under the development project of Fenghuang Yulongwan (“**Fenghuang Yulongwan Project**”) conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**JLL**”). The scope of this report does not include an independent review and verification of JLL’s work. Our valuation of 100% equity of the Target Company would be subject to the accuracy and truthfulness of JLL’s valuation of the Property.

Based on the subscription agreement entered into between the Target Company, Fenghuang Jincheng and 撫州鯨鵬置業有限公司 (the “**Subscriber**”), the Subscriber would acquire 96.43% equity interest (in newly issued shares) in the Target Company by capital injection in the amount of RMB162,000,000, and the Fenghuang Jincheng would make a capital injection in the amount of RMB6,000,000. As the Company holds 51% equity interests in Fenghuang Jincheng, it has obligation to make a capital injection in the amount of RMB3,060,000 (i.e. 51% of RMB6,000,000).

**Purpose of Valuation**

The purpose of this valuation is to express an independent opinion of the Market Value of the equity of the Target Company as at the Valuation Date based on the financial information, underlying assumptions and information provided by management of the Target Company (“**Management**”) for circular reference purpose. The valuation result should not be construed to be a fairness opinion, solvency opinion or an investment recommendation. No third party shall have the right of reliance on this report and neither receipt nor possession of this report by any third party shall create any express or implied third-party beneficiary rights.

We relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the business provided by Management. The Market Values of the Equities of the Target Company are subject to a number of assumptions concerning historical financial information and its current financial position. To the extent that any of these assumptions or facts changed, the result of the Market Value conclusion would be changed accordingly.

**Standard, Premise and Basis of Valuation**

This valuation is carried out on a market value basis. 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 intended use of the valuation is to serve as basis for the circular reference purpose by the Company. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Company rests solely with the Company. The results of our analysis should not be construed to be a fairness opinion, solvency opinion or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

**Economic Overview**

As the Target Company is operating within the economy of China, its business is affected by economic conditions and market fluctuations in China. We have reviewed the economic condition of China where the Target Company will derive its future income from.

China’s real GDP grew 4.8% year-over-year in Q1, up from 4.0% in Q4 and higher than market expectations. The highly transmissible Omicron variant of COVID-19 has affected many regions in China, with the combined number of daily confirmed and asymptomatic cases exceeding previous highs in early 2020. The new wave has led to tightened quarantine measures and a few cities have escalated to full lockdowns since mid-March 2022. There were 41 cities containing risk area(s) in April over 10 days, representing about 21.5% of China’s population or 25.7% of GDP. Domestic consumption remained weak and retail sales declined by 3.5% in March, the first contraction since August 2020. The unemployment rate edged up from 5.5% in February to 5.8% in March.

In recent decades, China's expansionary policy has helped sustain rapid economic growth that outperforms most other countries. The share of world GDP in China has reached about 18%. It is against this backdrop that credit to Chinese businesses has increased even faster, supporting GDP growth, but the resulting leverage in the corporate sector makes it increasingly vulnerable to shocks.

In the past few years, however, the Chinese government has tightened regulation of the property market, including new restrictions on home purchases, banks' exposure to the property sector, and mortgage lending in some markets. In August 2020, the regulator announced further measures directly targeting property developers. Gradual tightening of borrowing limits based on specific prudential limits for leverage and liquidity (commonly known as the "three red lines"). Over the long term, these limits should help contain debt and make the real estate sector and financial system more resilient.

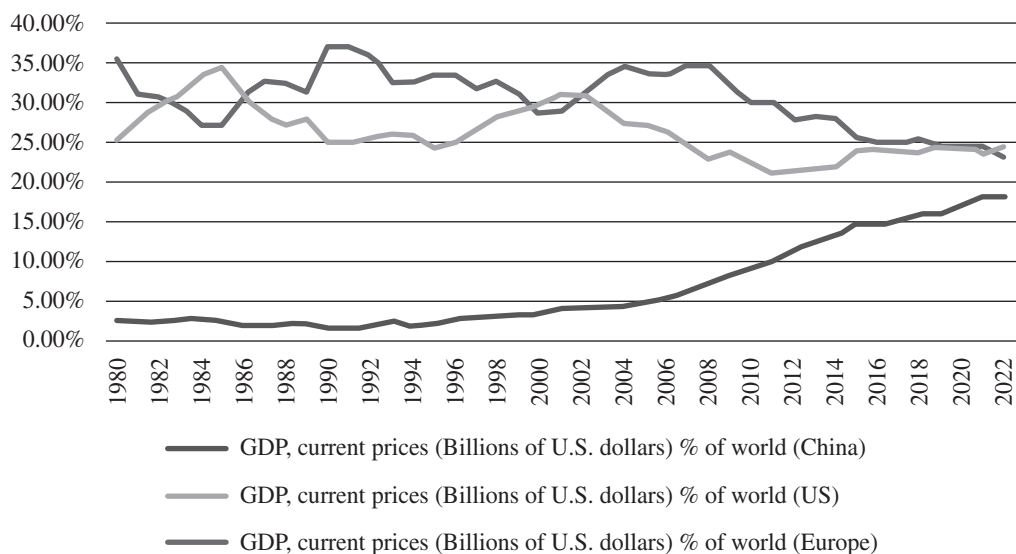
A report by China Securities said that China will maintain its overall economic recovery trend in the fourth quarter of 2022, driven by growing investment in infrastructure and real estate. Infrastructure investment is expected to grow by more than 10 percent year-on-year in the fourth quarter, benefiting from strong capital support, while the decline in the growth rate of real estate investment is expected to narrow with new policies taking effect to stabilize the property market by including the reduction of the 5-year loan prime rate (the reference rate for mortgages), and adjustment of the down payment ratio in many cities, as well as the relaxation of purchase and sale restrictions will play a positive role in stabilizing market expectations.

**Table – GDP, current prices (Billions of U.S. dollars) in 2022**

	<b>China</b>	<b>United States</b>	<b>Europe</b>	<b>World</b>
GDP	18,321.20	25,035.16	23,508.01	101,560.90
% of world GDP	18.04%	24.65%	23.15%	100%

Source: IMF, 2022

**Chart – Share of World Domestic Product %**

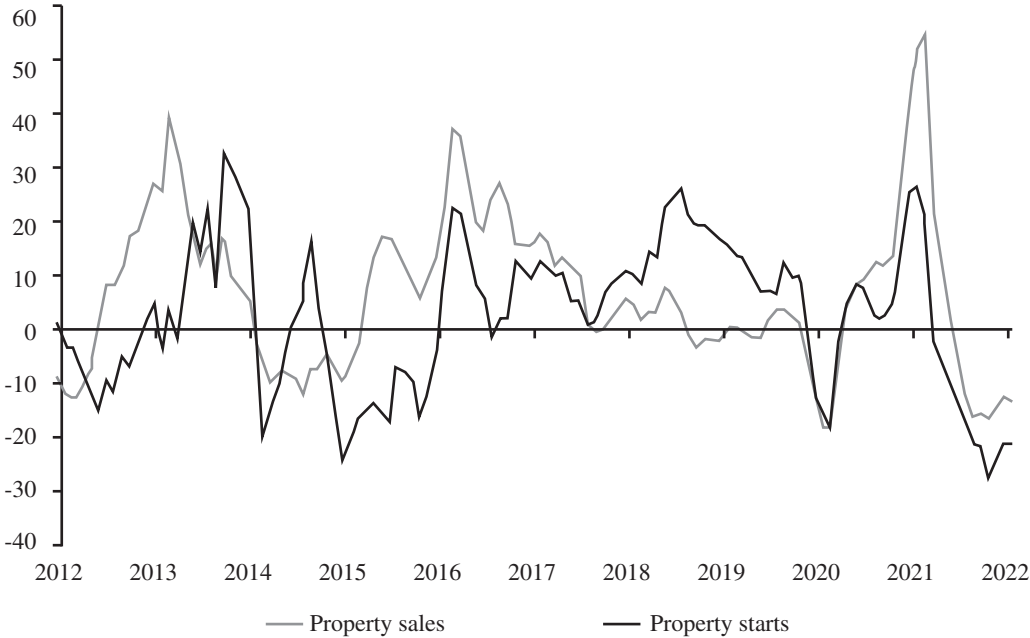


Source: IMF, 2022

Industry Overview

The property development market continues to face pressures in 2022. Real estate investment rose by 0.7% in the first quarter from a year ago. After a soft rebound in February, new property sales fell 17.7% and property starts dropped 22.2% year on year in March.

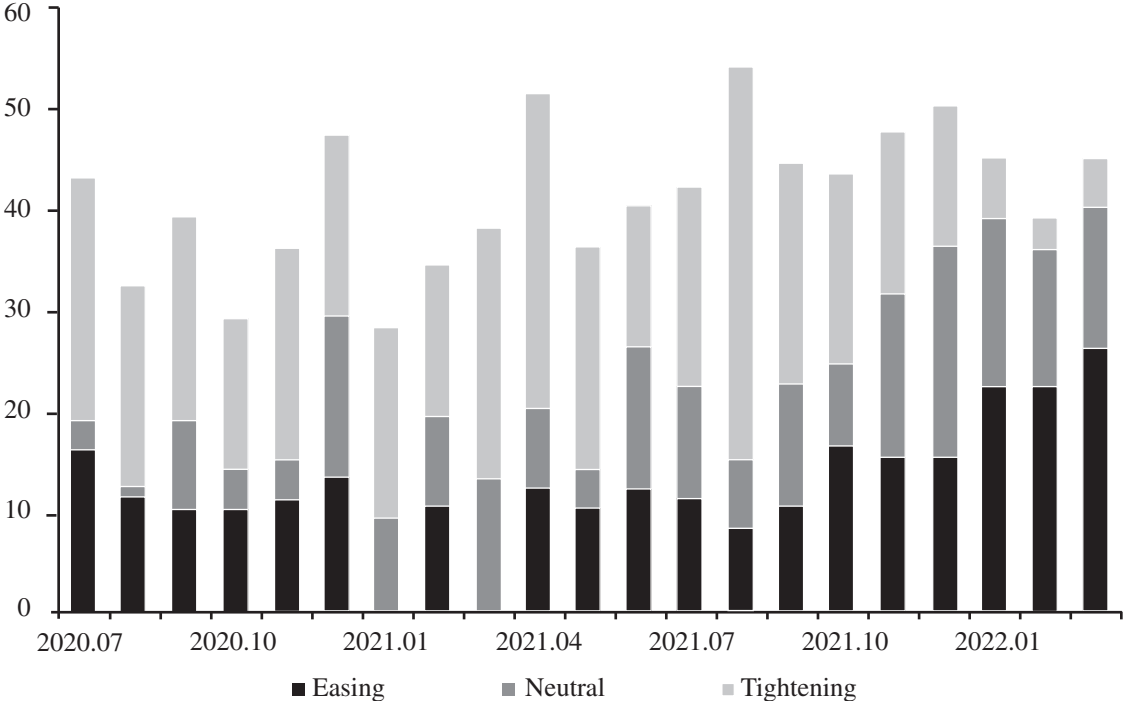
Chart – Growth rate of property market %



Source: China Economic Monitor, KPMG, 2022Q2

However, more local governments are announcing easing policies on the property market to cushion the slowdown. The proportion of easing policies reached 57.8% in March, up from 44% in December 2021. In addition, China’s Ministry of Finance also announced on 16 March that the much-watched pilot programme on property tax will be postponed. It is expected that more easing policies may be adopted to prevent a sharp decline of property prices in the market during 2022.

Chart – Number of new real estate policies released by local governments

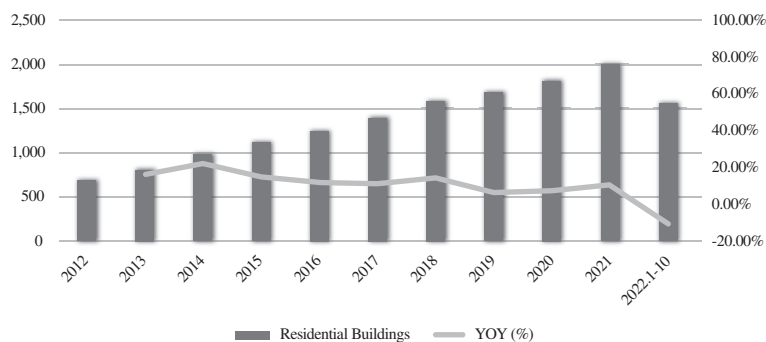


Source: China Economic Monitor, KPMG, 2022Q2



From January to October 2022, the total accumulated investment in residential buildings in real estate development amount in Jiangxi Province was RMB154.94 billion, a year-on-year decrease of 10.4%. In 2021, this figure was RMB199.49 billion, an increase of RMB18.62 billion over the previous year, or a year-on-year increase of 10.3%.

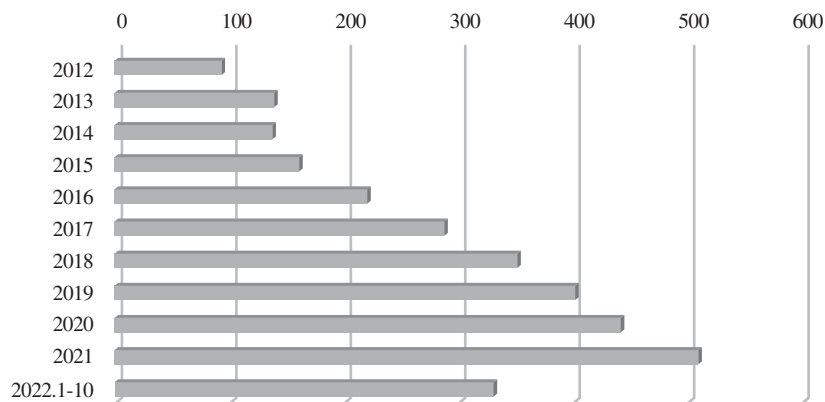
**Chart – Investment Actually Completed by Enterprises for Real Estate Development in Jiangxi Province from 2012 to 2022 October**



Source: National Bureau of Statistics of China

From January to October 2022, the total sale of commercialized residential buildings sold in Jiangxi Province were RMB331.77 billion, a year-on-year decrease of 18.6%.

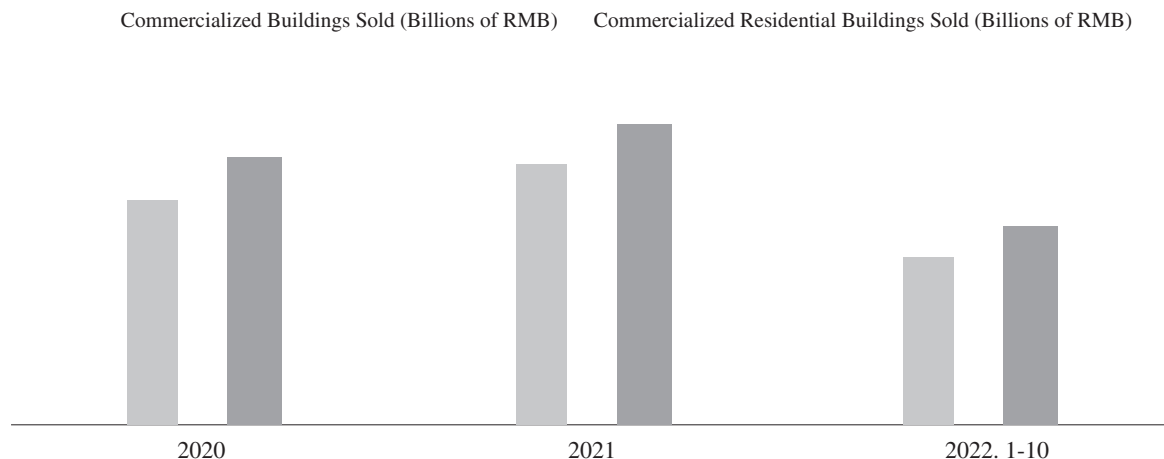
**Chart – Sales amount of commercialized residential buildings sold in Jiangxi Province from 2012 to 2022 October**



Source: National Bureau of Statistics of China

From January to October 2022, the accumulated amount of the sales of commercialized buildings sold in Jiangxi were RMB389.4 billion, a decrease of RMB74.31 billion compared with the same period in 2021, a year-on-year decrease of 16.0%; the accumulated amount of the sales of commercialized residential buildings in Jiangxi were RMB331.7 billion, a decrease of RMB76.04 billion compared with the same period in 2021, a year-on-year decrease of 18.6%.

**Chart – Accumulated sales amount of commercialized residential buildings sold and commercialized buildings sold in Jiangxi Province from 2020 to 2022 October**



Source: National Bureau of Statistics of China

In Leping, fixed asset investment for the whole of 2021 will increase by 9.4% over the previous year. In terms of industries, the investment in the primary industry increased by 1.8%, accounting for 6.4% of the total investment; the investment in the secondary industry increased by 23.8%, accounting for 69.08% of the total investment, of which industrial investment increased by 23.8%, accounting for 69.08% of the total investment; the third Industrial investment decreased by 16.4%, accounting for 24.52% of all investment.

The annual real estate development investment was RMB1.829 billion, 12.4% more than the previous year, of which residential investment was RMB4.286 billion, an increase of 218.5% over the previous year. The sales area of commercial building was 816,300 square meters, an increase of 9.8% over the previous year, of which the sales area of residential buildings was 699,700 square meters, an increase of 6.3% over the previous year. The sales of commercial building were RMB4.579 billion, an increase of 10.5% over the previous year, of which the sales of residential buildings were RMB4.286 billion, an increase of 10.6% over the previous year.

### Valuation Methodology

We have conducted the Valuation in accordance with the International Valuation Standard. The valuation procedures employed include an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Target Company. All the matters we consider essential to the proper understanding of the Valuation are disclosed in our valuation report. In arriving at our assessed value, we have considered three accepted approaches, namely, income approach, cost approach and market approach.

Income approach: provides an indication of value by converting future cash flows to a single current asset value, and is commonly applied to an aggregation of assets consisting of all assets of a business enterprise, including working capital and tangible and intangible assets. Market Value is derived based upon the present worth of economic benefits of ownership of asset.

Asset-based approach: provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. Value is established based on cost of reproducing or replacing the asset, less depreciation or amortization from functional and economic obsolescence, if present and measurable.

Market approach: provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available, and incorporating adjustments to be made for any difference between the properties of the comparable assets and the subject asset being appraised.

The applicability and merits of each approach were considered, and our reasoning for choosing the approach to apply is as follows:

- The income approach is not adopted as the cash flow projections prepared by Management for the Target Group have involved numerous assumptions on projected growth/changes in different streams revenue, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital expenditure. Such assumptions and estimated are therefore not easily verifiable, supportable or reliably measured.
- The market approach is not adopted as the Target Company is not a publicly listed company and the business nature was on the project based, therefore valuation results under the market approach would not be accurate.
- The asset-based approach is adopted for the valuation of the equity of the Target Company, as the tangible assets of these companies are the best indicator of value for property development companies. This is the most common valuation method for this type of cases.

**Valuation of the Equity of Target Company**

Based on the financial statements provided by Management, the net assets value of the Target Company is (RMB13,972,000). The provisional financial positions of the Target Company are summarized in the below table:

***Provisional Statement of the Financial Position at 31 October 2022***

	<b>Book Value 31 October 2022 RMB'000</b>
<b>Assets</b>	
Property, plant and equipment	615
Properties under development	329,998
Deposit, Prepayment and other receivables	17,808
Cash and bank balance	4,158
	<hr/>
<b>Total assets</b>	<b>352,579</b>
<b>Liabilities</b>	
Advance receipt	(63,371)
Accruals and other payables	(197,580)
Amount due to fellow subsidiaries	(105,600)
	<hr/>
<b>Total liabilities</b>	<b>(366,551)</b>
<b>Net Assets</b>	<b>(13,972)</b>
	<hr/> <hr/>

***Asset-Based Approach – Adjusted Net Asset Value Analysis***

As part of our analysis, we have conducted a high-level review of the breakdown and nature of the assets and liabilities held by the Target Company. We have also relied to a considerable extent on information provided by Management in arriving at our appraisal of these assets and liabilities. Details of adjustments (if any) to the assets and liabilities to reflect market value basis is outlined as follows.

***1. Property, plant and equipment:***

The book value of property, plant and equipment was not significant. Per the instruction of management, it is considered that the book value is not materially different from its Market Value, and no individual valuation on this was performed. We have assumed no material errors in the accounting record of the Target Company as at the Valuation Date.

2. *Properties under development:*

The properties under development refers to the Property under the Fenghuang Yulongwan Project, which is a residential and commercial development being erected on a parcel of land with a site area of approximately 64,322.20 square meters (“**sq.m.**”). It is located at No. 998 Dongfeng North Road, Leping City, Jingdezhen City, Jiangxi Province. In JLL’s valuation of the Property, JLL has assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. JLL has adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and has also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. JLL has relied on the accrued construction cost and professional fees information provided by management of the Target Company and the Company according to the different stages of construction of the properties as at the valuation date, and considered that they did not find any material inconsistency from those of other similar developments.

3. *Deposit, Prepayment and other receivables:*

This represents provident fund, deposits receivable, other receivables and prepayment for construction held by the Target Company. As at the Valuation Date, the Target Company has receivables in the amount of RMB17,808,000. According to Management, the deposit, prepayment and other receivables should be settled either on demand or in a short period of time and necessary impairment provision was made, and the carrying amounts of the receivables shall reflect their Market Values as at the Valuation Date. We have assumed no material errors in the accounting record of the Target Company as at the Valuation Date.

4. *Cash and bank balances:*

This represents cash in banks and time deposits and is the most liquid asset available for use of the firm. The Market Value of cash and cash equivalents is equal to its carrying amount.

5. *Accruals, advance receipt and other payables:*

This represents advance receipt of uncompleted first-hand residential property, interest free shareholder loan, the other interest free loan and current account held by the Target Company. Based on the discussion with the management of the Target Company, all accruals, advance receipt and other payables should be settled either on demand or in short period of time and no material timing difference was noted, and the carrying amounts of the liabilities shall reflect their Market Values as at the Valuation Date. We have assumed no material errors in the accounting record of the Target Company as at the Valuation Date.

6. *Amount due to fellow subsidiaries:*

As at the Valuation Date, the Target Company has an amount due to fellow subsidiaries in the amount of RMB105,600,000. It is further noted that is mainly comprised of amounts due to a counterparty, 樂平鳳凰金誠實業有限公司. According to Management, the amount due to fellow subsidiaries should be settled either on demand or in short period of time and no material timing difference was noted, and the carrying amounts of the liabilities shall reflect their Market Values as at the Valuation Date. We have assumed no material errors in the accounting record of the Target Company as at the Valuation Date.

7. *Deferred tax liabilities and Profit Tax Provision:*

The deferred tax liability is calculated as an applicable land appreciation tax rate multiplied with the net revaluation surplus, with reference to 《土地增值稅清算管理規程》and other PRC publications on land appreciation tax.

The provision for profit tax is calculated as the net revaluation surplus minus the deferred tax liability then multiplied by the PRC profit tax rate of 25%.

*Adjusted Net Asset Value Analysis at 31 October 2022*

	<b>Book Value</b>	<b>Market Value</b>
	<b>31 October</b>	<b>31 October</b>
	<b>2022</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>		
Property, plant and equipment	615	615
Properties under development	329,998	348,000
Deposit, Prepayment and other receivables	17,808	17,808
Cash and bank balance	4,158	4,158
	<hr/>	<hr/>
<b>Total assets</b>	<b>352,579</b>	<b>370,581</b>
<b>Liabilities</b>		
Advance receipt	(63,371)	(63,371)
Accruals and other payables	(197,580)	(197,580)
Amount due to fellow subsidiaries	(105,600)	(105,600)
Profit tax provision	–	(4,501)
Deferred tax liabilities	–	–
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>(366,551)</b>	<b>(371,052)</b>
	<hr/>	<hr/>
<b>Net Asset Value (before marketability adjustments)</b>	<b>(13,972)</b>	<b>(471)</b>
	<hr/> <hr/>	<hr/> <hr/>

After the abovementioned adjustments, the adjusted net asset value before marketability adjustments and before capital injection would be calculated as (RMB471,000).

***Discount for Lack of Marketability (“DLOM”)***

Privately held companies are not readily marketable and would face more difficulty in converting their shares into cash as compared with publicly held companies. DLOM is commonly considered in the valuations of privately held companies to reflect the difference in the marketability of the shares of the subject private companies and that of the selected publicly-traded comparable companies.

As the adjusted net asset value of the Target Company is found to be negative, the DLOM is generally not be applicable to a negative value of equity. Likewise, the DLOM is also not applicable to the subsequent capital injection, which would be made in liquid cash.

***Market Value of 100% equity of the Target Company and the Capital Injection***

Per the subscription agreement and management’s representation, it is noted that the Subscriber and Fenghuang Jincheng would make capital injections in the amounts of RMB162,000,000 and RMB6,000,000 respectively.

Based on the above, the Market Value of 100% equity of the Target Company after capital injection is derived as approximately RMB168,000,000.

Adjusted Net Asset Value (before marketability adjustments)	(A)	(RMB471,000)
DLOM	(B)	Not Applicable
Market Value of 100% equity of the Target Company before capital injection	(A)=(C)	(RMB471,000)
Cash Inflow from the capital injection (=RMB162,000,000+RMB6,000,000)	(D)	RMB168,000,000
Market Value of 100% equity of the Target Company after capital injection	(C)+(D)=(E)	RMB167,529,000
Market Value of 100% equity of the Target Company after capital injection (Rounded to million)		RMB168,000,000

We have been provided with extracts of copies of relevant documents, audited and unaudited financial information relating to the Target Company. We have relied upon the aforesaid information in forming our opinion of the value of the Target Company. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the said information which is material to the valuation. We have also been advised by the Target Company that no material fact has been omitted from the information provided. We have also made relevant inquiries and obtained further information as considered necessary for the purpose of this valuation.

While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the economic environment, competitive uncertainties or any other abrupt alternations of external factors.

### **Assumptions**

In the course of this valuation exercise, a number of assumptions and caveats have been made. We have based on the following to arrive at the valuation conclusion in this report.

- The Company has appointed JLL to perform the valuation of the Property, which we have adopted in the adjusted net asset value analysis of the Target Company. Our valuation of the equity of the Target Company relies on the valuation of the Property by JLL being accurate and without material errors. Our scope of work does not cover the independent review and verification of JLL's work. Should the result of JLL's report changes, our valuation would be changed consequently;
- We have assumed that the accuracy of financial and operational information provided to us by Management, and relied to a considerable extent on such information in arriving at our opinion of value;
- We are not tax experts on matters regarding the deferred tax liabilities and profit tax provision applicable to the Target Company. We have consulted with management on the methodology to calculate the tax provisions and liabilities. Should the actual tax liabilities to be incurred to the Target Company be different from the assumed liabilities in this report, the valuation result would be changed significantly;
- It is assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value;
- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;
- There will be no major changes in the current taxation law in the areas in which the company conducting their business, that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with;
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;



- The Target Company will retain their key management and technical personnel to maintain their ongoing operations;
- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;
- The company will remain free from claims and litigation against the business or their customers that will have a material impact on value;
- The business is unaffected by any statutory notice and that operation of the business gives, or will give, no rise to a contravention of any statutory requirements;
- The business is not subject to any unusual or onerous restrictions or encumbrances; and
- The potential bad debt of the Target Company will not materially affect their business operations.

**Limiting Conditions**

We have to a considerable extent relied on the financial data and other related information provided by the Company. We are not in a position to comment on the lawfulness of the business.

To the extent that any of the adopted assumptions or facts provided to us are changed, the result of the Valuation would be different. It should be noted that the financial information regarding the Target Company provided to us has been represented by management and was assumed for the purposes of this opinion that such information was reasonably prepared with diligence and based on best efforts of management as to the current results of the operations and financial conditions of the Target Company to which information relate.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

**Management Confirmation of Facts**

A draft of this report and our calculation has been sent to management of the Company. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects. Management confirms that they have performed the necessary due-diligence on the information provided, and understands that any material changes or errors in such information could lead to a substantial change in our valuation result. As of the date of this report, they are not aware of any material matters relevant to our engagement which have been excluded.

Management should also acknowledge that the valuation was carried out using theoretical valuation approaches, and thus could be different from any potential transaction prices. The valuation result should therefore be used for the Company's circular reference and compliance purpose only. It is noted that management has reviewed all valuation results and agreed with all relevant valuation inputs and calculations.

**Remarks**

We hereby confirm that we have neither present nor prospective interest in the Company, subsidiaries, and associated company, or the value reported herein.

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

The conclusion of value is based on accepted valuation procedures and practices that rely on substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and us.

This report is issued subject to our Assumptions and Limiting Conditions stated above.

**Opinion of the Value**

Based on the investigation and analysis stated above and the valuation method employed, we are of the opinion that the Market Value of 100% equity of the Target Company after capital injection is reasonably stated as RMB168,000,000 as at 31 October 2022.

Yours faithfully,  
For and on behalf of  
**APAC Asset Valuation and Consulting Limited**  
**Jasper Chan**  
*CFA, FRM*  
*Director*

*Notes:*

Jasper Chan, *CFA, FRM*

Mr. Jasper Chan is a CFA® charterholder and a certified FRM® with 9 years of experience in handling valuations and financial modelling for financial reporting, merger and acquisition, financial derivatives, intangible assets, biological assets, mine valuations, etc. He also has extensive experience in providing valuation advisory services to private equity funds, and providing litigation support in relation to commercial and matrimonial disputes. His work has covered a range of different industries including manufacturing, financial services, mineral resources, forestry, IT, pharmaceutical, casinos & gaming, etc.

**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, after 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 number of issued Shares as at the Latest Practicable Date are 2,464,000,000 Shares.

All existing issued Shares rank *pari passu* in all respects, including the rights as to dividend, voting rights and capital.

No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived. As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

## 3. INTEREST IN SECURITIES

As at the Latest Practicable Date, the interests of the Directors and the 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 to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) were as follows:

## (i) Long positions in the Shares

Name of Directors/ Chief executive	Capacity/Nature of Interest	Number of Shares held/interested	Total	Approximate percentage of the Company's issued Shares*
Mr. Wong	Beneficial owner	192,549,643	1,255,181,153	50.94%
	Interest of a controlled corporation (Note 1)	1,011,885,120		
	Interest of spouse (Note 1)	50,746,390		
Mr. XIE Gang	Interest of spouse (Note 2)	5,902,663	5,902,663	0.24%

*Note:*

- 1,011,885,120 Shares are held by Extra Good Enterprises Limited (“**Extra Good**”) a company incorporated in the British Virgin Islands and the issued share capital of which is owned as to 52% and 48% by Mr. Wong and his wife, Ms. Chan, respectively. Also, 50,746,390 Shares are held by Ms. Chan. Therefore, Mr. Wong is deemed to be interested in the same parcel of Shares held by Extra Good and Ms. Chan (whether by herself or through her controlled corporation) under the SFO.
- 5,902,663 Shares are held by Ms. Wong Man Bun who is the wife of Mr. XIE Gang. Therefore, Mr. XIE Gang is deemed to be interested in the same parcel of Shares held by Ms. Wong Man Bun under the SFO.

\* The percentage represents the total number of the Shares and the underlying Shares, if any, interested divided by the number of issued Shares of 2,464,000,000 as at the Latest Practicable Date.

## (ii) Long positions in the shares of associated corporations

Name of Director/Chief executive	Name of associated corporation	Capacity/Nature of interest	Number, class and percentage of issued shares of associated corporation held/interested	Total
Mr. Wong	Extra Good	Beneficial owner	52 ordinary shares (52%)	100 ordinary shares
		Interest of spouse ( <i>Note</i> )	48 ordinary shares (48%)	

*Note: The issued share capital of Extra Good is owned as to 52% and 48% by Mr. Wong and his wife, Ms. Chan, respectively. Under the SFO, Mr. Wong is deemed to be interested in the shares held by Ms. Chan in Extra Good. Mr. Wong is a sole director of Extra Good.*

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

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was a director or employee of a company that had an interest or short position in the shares and underlying shares that would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. DIRECTORS' SERVICE CONTRACTS

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

**5. LITIGATION**

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

**6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or any of their respective close associates had an interest in a business that competes or is likely to compete, either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date and save as disclosed in the announcement of the Company dated 21 November 2022 in relation to profit warning, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited accounts of the Group were made up.

**8. MATERIAL CONTRACTS**

The following material contract (not being contracts in the ordinary course of business) was entered into by the members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and is or may be material:

- (i) the commercial space co-operation agreement entered into on 21 December 2022 between Hangzhou Gangyu Enterprises Management Company Limited\* (杭州港譽企業管理有限公司), as the leasee, Hangzhou Ganglian Real Estate Company Limited\* (杭州港聯置業有限公司), as the guarantor, and Greentown Property Management Service Group Company Limited\* (綠城物業服務集團有限公司), as the lessor, in relation to lease of commercial space at Zhejiang University Alumni Enterprise Headquarters Economic Park Phase II for a term of 10 years from the handover date and with the total net rent payable for the whole lease term of RMB340,362,575;
- (ii) the Capital Increase Agreement;
- (iii) the finance lease agreements entered into on 16 July 2021 between Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司), as the lessor, and Zhejiang IPS Pharmaceutical Technology Company Limited (浙江美測醫藥科技有限公司), as the lessee, in respect of, among others things, (i) certain medical service equipment, which were sold by Hangzhou Ruiteshi Technology Co., Ltd.\* (杭州瑞特世科技有限公司) to the lessor; (ii) such equipment then being leased to the lessee by the lessor for a term of five years with the total lease payment of RMB30,592,320 payable by 60 monthly instalments during the lease period; and (iii) upon expiration of the lease period, the lessor will transfer such equipment to the lessee at a consideration of RMB300 in nominal value; and

- (iv) the agreement dated 26 March 2021 entered into by and between Fenghuang Jincheng and the Leping City Natural Resources and Planning Bureau\* (樂平市自然資源和規劃局) in relation to the resumption of the land located at the Hushan Meiyuan Reclamation Farm, Leping City, Jingdezhen City, Jiangxi Province, the PRC with an aggregate site area of approximately 209,863.95 sq.m. at a consideration by way of cash compensation of RMB222,760,000.

## 9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the experts who have given its opinions or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL")	independent professional property valuer
APAC Asset Valuation and Consulting Limited ("APAC")	independent professional equity interest valuer

As at the Latest Practicable Date, each of JLL and APAC did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 March 2022, being the date to which the latest published audited accounts of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of JLL and APAC has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

## 10. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the head office and the principal place of business in Hong Kong is at Room 1215, Tower B, Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong.
- (b) The branch share registrar and transfer office of the Company is Boardroom Share Registrars (HK) Limited located at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.
- (c) The secretary of the Company is Ms. YUE Sau Lan.

- (d) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited accounts of the Company were made up.
- (e) As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (f) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sinoharbour.com.hk](http://www.sinoharbour.com.hk)) for a period of 14 days from the date of this circular:

- (a) the property valuation report, the text of which is set out in Appendix II to this circular;
- (b) the equity interest valuation report, the text of which is set out in Appendix III to this circular;
- (c) the consent letters as referred to in the section headed “Qualification and Consent of Expert” in this Appendix;
- (d) the Capital Increase Agreement; and
- (e) this circular.