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

If you have sold or transferred all your shares in Fantasia Holdings Group Co., Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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花樣年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1777)

MAJOR TRANSACTION

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 3 to 11 of this circular. This circular is being despatched to the Shareholders for information only.

The Disposal has been approved by the written approval pursuant to Rule 14.44 of the Listing Rules. The Company is exempted from convening a shareholders’ meeting for the approval of the Disposal.

27 February 2025

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2024 Interim Report”	the interim report of the Company for the six months ended 30 June 2024;
“Acquisition”	the acquisition of the Longgang Project;
“Board”	the board of directors of the Company;
“Company”	Fantasia Holdings Group Co., Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1777);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Fantasia China”	Fantasia Group (China) Company Limited, a wholly-owned subsidiary of the Company established in the PRC which is principally engaged in the business of property development;
“Fantasy Pearl”	Fantasy Pearl International Limited, a company incorporated in the British Virgin Islands, and the controlling shareholder of the Company holding approximately 57.51% of the issued share capital of the Company as at Latest Practicable Date;
“Group”	the Company and its subsidiaries;
“Latest Practicable Date”	21 February 2025, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Longgang Agreement”	the agreement dated 17 March 2017 in respect of the acquisition of the Longgang Project Company by Fantasia China;
“Longgang Project”	the urban renewal project in the Longgang District, Shenzhen;

DEFINITIONS

“Longgang Project Company”	深圳市嘉年龍飛實業有限公司 (Shenzhen Jianian Longfei Industrial Co., Ltd.*), a limited liability company established in the PRC;
“Longgang Vendor”	深圳市嘉年城市更新投資諮詢有限公司 (Shenzhen Jianian City Renovation Investment Consultancy Co., Ltd.*), a limited liability company in the PRC;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	shareholder(s) of the Company;
“sq.m”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

LETTER FROM THE BOARD

花樣年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1777)

Executive Directors:

Ms. Cheng Jianli (*Chairman*)

Mr. Timothy David Gildner

Mr. Lin Zhifeng

Non-executive Directors:

Ms. Zeng Jie, Baby

Mr. Su Boyu

Independent non-executive Directors:

Mr. Guo Shaomu

Mr. Kwok Chi Shing

Mr. Ma Yu-heng

Registered office:

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Cayman Islands

Principal place of business

in Hong Kong:

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64 Connaught Road Central

Hong Kong

27 February 2025

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the 2024 Interim Report and the Announcement in relation to, among others, the Longgang Project.

The acquisition of the Longgang Project constitutes a major transaction for the Company subject to the approval of the Shareholders. The purpose of this circular is to provide you with, among other things, further information about the Longgang Project.

LETTER FROM THE BOARD

THE ACQUISITION

Background

On 17 March 2017, Fantasia China entered into the Longgang Agreement with the Longgang Vendor under which the Longgang Vendor agreed to sell 100% of the equity interests in the Longgang Project Company to Fantasia China.

Subject of the transaction

Under the terms of the Longgang Agreement, Fantasia China will acquire 100% of the equity interests in the Longgang Project Company from the Longgang Vendor.

Consideration

The consideration for the Acquisition was RMB1,387,200,000, which was determined by the parties after arm's length negotiations with reference to the location of the project, its development potential, the gross floor area that might be developed of approximately 46,600 sq.m., and the assessment of the management on the estimated value of the project of approximately RMB1.4 billion as at 31 December 2016, based on the expected housing prices of properties in neighbouring areas of between RMB55,000 and RMB59,000 per sq.m., less the estimated development and construction costs, taxes and fees payable of approximately RMB900 million, and deducting reasonable profit for the project of approximately 10%, and further considering the other assets and liabilities of the project company.

25% of the consideration (that is RMB346,800,000) was paid by the Group in accordance with the terms of the Longgang Agreement within three months of the date of the agreement. The balance of the consideration should be paid when the Longgang Project Company has obtained the planning approval for and confirmation as the entity for the development of the Longgang Project.

Conditions precedent

Completion of the Acquisition is conditional upon the Longgang Project Company having obtained the planning approval for and confirmation as the entity for the development of the Longgang Project.

If the Longgang Project Company is unable to satisfy the conditions precedent, the Group could withdraw from the project and seek a refund of the deposit paid.

LETTER FROM THE BOARD

As at 31 December 2023 and as at the Latest Practicable Date, the planning approval and the entity confirmation process for the Longgang Project were and are still outstanding, and the Acquisition has not been completed. As the investment funds of the Longgang Project Company (including the deposit paid by the Group) has already been used to pay for the demolition, relocation and site formation works for the Longgang Project, the Longgang Project Company has no available fund to refund the deposit paid by the Group. As such, the Group was unable to withdraw from the project.

Information on the Longgang Project Company

The Longgang Project Company is a limited liability company established in the PRC in August 2016 and is wholly owned by the Longgang Vendor.

The principal business of the Longgang Project Company was the provision of commercial services. It was a newly incorporated company at the time of the Acquisition established to hold the rights to the urban renewal project located in the Longgang District, Shenzhen. Save for holding the right to the urban renewal project, the Longgang Project Company has no other operations.

The Longgang Project is an urban renewal project and the original intention of the Group was to redevelop the properties held by the Longgang Project Company into a residential and commercial development for sales.

Set out below is the financial information of the Longgang Project Company for the period from its incorporation to 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC:

	<i>RMB' 000</i> (unaudited)
Net loss before taxation	(386)
Net loss after taxation	(386)

The unaudited net asset value of the Longgang Project Company as at 31 December 2016 was approximately RMB199,614,000.

LETTER FROM THE BOARD

Financial effect of the Acquisition and the current status of the Longgang Project

If the Acquisition is completed, the Longgang Project Company will become a wholly-owned subsidiary of the Company. Upon completion of the Acquisition, the properties under development for sales of the Group will be increased by RMB1,387.2 million, the bank balances will be decreased by RMB1,040.4 million for settlement of the remaining consideration, the deposit paid for the acquisition of the equity interests will be decreased by RMB346.8 million. Due to the Longgang Project Company is under development, no revenue and cost of sales were expected to be recognized during the year in which the Acquisition is completed, except for insignificant administrative expenses, which would not have significant impact on the enlarged group.

Since the entering into of the Longgang Agreement, the Longgang Project Company has reached agreements with the residents on the demolition work, but progress in the sub-division application (for splitting the land ownership) which involves multiple parties and government approval, was slow. The deposit paid by the Group has been committed by the Longgang Project Company for demolition, relocation and site formation works, and the Group was unable to secure a refund.

As completion of the Acquisition is subject to the satisfaction of the conditions of obtaining the planning approval for and confirmation of the Longgang Project Company as the entity for the development of the Longgang Project which involve government approvals, both the Longgang Vendor and the Group are not in a position to estimate with any accuracy on when the Acquisition could be completed, in particular during the current negative market environment in the PRC property market. As the Longgang Project is currently not making much progress, and the estimated value of the project is expected to be significantly lower than the original estimate made by the Group at the time of the entering into of the Longgang Agreement due to market downturn, an impairment on the deposit in the amount of RMB346,800,000 has been recorded.

Although the Acquisition has not been completed, the Company will take steps in exiting from the project by seeking investors to acquire the Group's interest in the right to the Acquisition through continuously pushing forward with the development progress of the project as appropriate.

INFORMATION ON THE PARTIES

The Company is principally engaged in the business of property development, property investment, property agency services, property operation and hotel services.

Fantasia China is a limited company established in the PRC and is principally engaged in the business of property development, property investment. It is a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

The Longgang Vendor is a limited liability company established in the PRC and is principally engaged in the business of the provision of consulting services on urban renewal projects. It is ultimately beneficially owned by Jiang Xichao.

To the best knowledge of the Directors, having made reasonable enquiry, the Longgang Vendor and its ultimate beneficial owners are not connected persons of the Company.

REASONS FOR THE ACQUISITION

The Group is principally engaged in property development, property investment, provision of property operations services, hotel accommodation services and other services. The Company has an experienced team with the relevant expertise in assessing the value of properties in the PRC. As a property developer, the Group has a constant need to replenish its land bank and property resources for the development and sale of residential and commercial units.

Prior to 2021, the real estate market on the mainland of the PRC was vibrant, with property developers racing to increase their land bank. In addition to the land auction, property developers acquired land through urban renewal projects, whereby they acquired existing properties/land, demolish them and convert the land with the residential and commercial units for sale.

Consistent with this common practice, the Group also secured its land and property resources through urban renewal projects, and the Acquisitions were made under such circumstances to replenish the land bank of the Group.

Under such arrangement for the Group to acquire land, a deposit would be paid, which would typically be used for the resettlement of residents/occupiers on the land, and the application for demolition. The deposit was recorded in the Company's financial statements as deposit for acquisition. Upon completion of the acquisition and the commencement of the development work, the project would be reclassified as property under development for sale, and when subsequent development and sales are completed, the cost of the project would be transferred to cost of sales. Such accounting treatments have been adopted by the Company for transactions of similar nature in the acquisition of land resources for future development and complied with the generally acceptable accounting standards and as reviewed by the auditors.

After the acquisition is completed and when the property is subsequently developed and sold, land appreciation tax and enterprise income tax would need to be paid. Such taxes are income-related and are of revenue in nature for tax purposes.

At the relevant time, the intent and substance of the Acquisition was to secure land/property resources and replenishing its land bank for development of residential and commercial units for sale. As such, the Acquisition was being carried out at the relevant time in the ordinary and usual course of business of the Company.

LETTER FROM THE BOARD

Remedial measures

The Company is mindful of compliance with the requirements of Chapter 14 of the Listing Rules. To ensure compliance with the timely disclosure requirements under Chapter 14 of the Listing Rules in the future, the Company has completed the putting in place of the following measures in January 2025:

1. the Company has engaged its legal adviser to provide a briefing to the project department and the finance department of the Group on the compliance requirements under the Listing Rules of transactions of this nature;
2. the relevant guidance materials regarding notifiable transaction and connected transaction under the Listing Rules have been circulated to the finance department and various departments of the Group, so as to reinforce their understanding on identifying the circumstances which are expected to trigger disclosure and/or other reporting requirements under the Listing Rules;
3. the Company has strengthened the implementation of its internal control system, including without limitation enhancing the coordination and reporting arrangements for notifiable transactions among various departments of the Company;
4. the Company will, as and when appropriate and necessary, seek legal advice and other professional advice on disclosure or compliance requirements under the Listing Rules; and
5. the Company will engage its legal advisor to provide regulatory and compliance training to its management on an annual basis to ensure the management will have knowledge and updates on the regulatory requirements of listed issuers on a regular basis.

Given the above, the Board is of the view that the Company could ensure compliance with the requirements of the Listing Rules going forward.

LISTING RULES IMPLICATIONS

The transactions under the Longgang Project constituted a major transaction under Chapter 14 of the Listing Rules subject to the approval of the Shareholders.

LETTER FROM THE BOARD

To the best knowledge of the Directors, no Shareholder was interested in the transactions in relation to the Longgang Project and is required to abstain from voting at the general meeting convened for the approval of the transactions under the Longgang Project. As no Shareholder was interested in the transaction and is required to abstain from voting at the Shareholders' meeting, the Acquisition has been approved by the written approval of Fantasy Pearl, a Shareholder holding 3,314,090,500 Shares, representing approximately 57.41% of the issued share capital of the Company as at the date of the Longgang Agreement, pursuant to Rule 14.44 of the Listing Rules and is exempted from convening a Shareholders' meeting for the approval of the Acquisition.

Rule 14.67(6)(a)(i), Rule 14.67(6)(a)(ii) and Rule 14.67(7)

Rule 14.67(6)(a)(i) provides that on the acquisition of any company that constitutes a major transaction, the circular should include an accountants' report on the company being acquired for the three financial years immediately preceding the issue of this circular and a stub period, provided that the relevant period must have ended 6 months or less before the issue of this circular.

The Company is unable to comply with the disclosure requirements with respect to Rule 14.67(6)(a)(i) for the following reasons:

- (i) the Acquisition has not been completed and the Company is not in control of the Longgang Project Company. As such, the Company is unable to gain access to the financial information of the Longgang Project Company without the cooperation of the Longgang Vendor and the Longgang Project Company;
- (ii) since the onset of the market downturn in 2021, property developers in the PRC are all faced with liquidity issue and scaled down their operations. The Longgang Vendor and the Longgang Project Company are no exception and have both reduced their number of employees with only a skeleton staff being maintained;
- (iii) because of the lack of progress in securing government planning approval, and the adverse market conditions in the property sector, the Longgang Project Company has no active business operation; and
- (iv) with the liquidity issue faced by the Company and the lack of progress in the project, the ensuing discussion on possible refund of the deposit have strained the relationship with the Longgang Vendor, and cooperation from the Longgang Vendor and the Longgang Project Company is not forthcoming.

LETTER FROM THE BOARD

The Company does not consider the non-compliance with the disclosure requirements under Rule 14.67(6)(a)(i) of the Listing Rules would prejudice the interest of the Shareholders, as (i) given the lack of progress in securing planning approval and the adverse market conditions in the PRC property market, it is highly unlikely that the Acquisition would materialise and complete; and (ii) the deposit paid in respect of the Acquisition has already been impaired and reflected in the financial statement of the Company. Should the Acquisition be completed at a latter date, the Company will endeavour to disclose the information pertaining to the Longgang Project Company in compliance with the requirements of the Listing Rules.

Rule 14.67(6)(a)(ii) provides that on the acquisition of any company that constitutes a major transaction, the circular should include a pro forma statement of the assets and liabilities of the listed issuer's group combined with the assets and liabilities of the company being acquired on the same accounting basis.

The Company is unable to comply with the disclosure requirements with respect to Rule 14.67(6)(a)(ii) for the same reason stated above, as the Company is unable to gain access to the financial information of the Longgang Project Company.

The Company considers that the purpose of disclosure of pro forma information is to illustrate the isolated effect of the Acquisition had the Acquisition occurred on an earlier date at the beginning of the financial period reported on. Given that the principal terms of the Acquisition were agreed in 2017 and there is no reasonable estimate on when the Acquisition could be completed, the disclosure of pro forma information based on the latest published financial information of the Company of the year ended 31 December 2023 would not be meaningful and could even be misleading to the Shareholders.

Given the status of the Acquisition and the high likelihood that it will not be completed, and that the deposit paid for the Acquisition has already been impaired, the Company is of the view the non-disclosure of the pro forma financial information would not be prejudiced to the interest of the Shareholders.

Rule 14.67(7) provides that on the acquisition of any company that constitutes a major transaction, the circular should include a discussion and analysis of results of the company being acquired covering all those matters set out in paragraph 32 of Appendix D2 to the Listing Rules for the period reported in the accountants' report of the company acquired.

The Company is unable to comply with the disclosure requirements with respect to Rule 14.67(7) as the Company does not have access to the information of the Longgang Project Company as noted above.

LETTER FROM THE BOARD

For the reasons that (a) the status of the Acquisition is uncertain and the high likelihood that it will not be completed, (b) the deposit paid for the Acquisition has already been impaired, and (c) the Longgang Project Company has no other operation other than the holding of the right to the urban renewal project, the Company is of the view that the non-inclusion of a discussion and analysis on the results of the Longgang Project Company would not be prejudiced to the interest of the Shareholders.

GENERAL

No Director was interested in the transactions contemplated under the Agreement and no Director was required to abstain from voting for the resolution to approve the Agreement.

The Directors (including the independent non-executive Directors) consider that the Acquisition was being carried out in the ordinary and usual course of business of the Company at the relevant time, and the terms of the Acquisition were on normal commercial terms and on an arm's length basis. As such, the Directors (including the independent non-executive Directors) were of the view that the Acquisition at the relevant time was fair and reasonable and in the interests of the Company and its Shareholders as a whole.

ADDITIONAL INFORMATION

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

By order of the Board
Fantasia Holdings Group Co., Limited
CHENG Jianli
Chairman

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 December 2024 of the property interest related to Longgang Project Company.



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

27 February 2025

The Board of Directors
Fantasia Holdings Group Co., Limited
Room 1202-03
New World Tower 1
16-18 Queen's Road Central Hong Kong

Dear Sirs,

In accordance with the instructions of Fantasia Holdings Group Co., Limited (the “**Company**”) to value the property interest of portion of Longgang Jinsheng Factory Urban Renewal Unit located at the westside of the intersection of Heyun Road and Guiping Road, Yuanshan Street, Longgang District, Shenzhen City, the People's Republic of China (the “**PRC**”) (the “**Property**” or “**Longgang Project**”) related to Shenzhen Jianian Longfei Industrial Co., Ltd. (深圳市嘉年龍飛實業有限公司, “**Longgang Project Company**”), 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 December 2024 (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 valuing the property interest, we have adopted the comparison approach by making reference to comparable market transactions to arrive at the market value of the property interest in existing state. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors and associated cost of housing demolition, supplementary payment of land transfer fee, relocation and resettlement.

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 outgoings 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 Longgang Project Company 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 documents including 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 – Commerce & Finance 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 property. 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 21 February 2025 by Sophie Chen. Sophie Chen is a China Certified Real Estate Appraiser and has more than 17 years' experience in the valuation of properties in the PRC. Our valuation was based on the information as at the valuation date of the property provided by the Company and Longgang Project Company, we assume that the conditions of the property as at the valuation date is consistent with the information provided by the company and Longgang Project Company.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company and Longgang Project Company 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.

Our valuation certificate is attached below for your attention.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Gilbert C.H. Chan

MRICS MHKIS R.P.S. (GP)

Senior Director

Note: Gilbert Chan is a Chartered Surveyor who has 32 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 to be acquired in the future related to Longgang Project Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024 RMB
Portion of Longgang Jinsheng Factory Urban Renewal Unit located at the westside of the intersection of Heyun Road and Gulping Road, Yuanshan Street, Longgang District, Shenzhen City, the PRC (深圳龍崗區金昇廠城市更新項目之部分物業)	<p>Longgang Jinsheng Factory Urban Renewal Unit is located at the westside of the intersection of Heyun Road and Guiping Road, Yuanshan Street, Longgang District, Shenzhen City. It is well-served by public transportation which adjacent to Dayun Subway Station and about 35 minutes' driving distance to Shenzhen Bei High-speed Railway Station. The locality of the property is a well-developed residential and commercial area served with public facilities and transportation.</p> <p>As advised by the Company and Longgang Project Company, the property comprises portion of Longgang Jinsheng Factory Urban Renewal Unit with an allocated site area of approximately 5,408.5 sq.m. which is planned to be redeveloped into a complex including residential, office, retail and resettlement properties subject to an approved urban renewal unit plan. The planned usage and gross floor area details of the property are set out in note 2.</p>	As at the valuation date, the property was bare land. The buildings and structures erected thereon had been demolished.	No commercial value
	<p>According to the information provided by the Company and the Notice in relation to Approval of the change of Renewal Unit Planning of Jinsheng Factory Urban Renewal Unit in Yuanshan Street, Longgang District issued by Longgang District People's Government – Shen Long Fu Han (2022) No. 43 (深圳市龍崗區人民政府關於《龍崗區園山街道金昇廠城市更新單元規劃》審批情況的通知-深龍府函(2022)43號, the "Planning Approval"), Longgang Jinsheng Factory Urban Renewal Unit comprises parcels of land with a total site area of approximately 17,175.4 sq.m.(including the property), which will be redeveloped into a complex development.</p>		

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024 RMB
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As advised by the Company and Longgang Project Company, monetary compensation of the associated housing demolition and relocation cost of approximately RMB150,000,000 has been paid as at the valuation date whilst the resettlement buildings with a total gross floor area of approximately 8,000 sq.m and 95 car parking spaces has not yet been constructed and delivered.

Longgang Project Company has not obtained the land use rights of the property.

Notes:

1. According to the Planning Approval dated 23 September 2022, the planning of Longgang Jinsheng Factory Urban Renewal Unit (including the property) has been approved. However, Longgang Project Company has not been qualified as implementation entity of the property as at the valuation date.
2. According to the Planning Approval and the information provided by the Company and Longgang Project Company, the planned gross floor area of the property is set out as below:

Usage	Planned Gross Floor Area (sq.m.)	Nos. of car parking spaces
Residential	10,638	
Indemnificatory housing	8,021	
Commercial	597	
Office	19,390	
Resettlement residential	4,250	
Resettlement commercial	300	
Resettlement office	3,450	
Resettlement car parking spaces	—	95
Total:	46,646	95

3. Pursuant to 3 Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 6000176196, 6000176193 and 6000176201, 3 industrial buildings with a total gross floor area of approximately 11,101.33 sq.m. is owned by Xu zhengrong (徐正榮). The relevant land use rights of the 3 industrial buildings with a site area of approximately 9,165.4 sq.m. have been granted to Xu zhengrong for a term of 50 years commencing from 30 October 1994 and expiring on 29 October 2044 for industrial use. As at the valuation date, the industrial buildings erected on the land parcel of the property had been demolished.
4. Pursuant to 3 Business Acceptance Notices – Nos. 9C-0621082409, 9C-0621082412 and 9C- 0621082415 dated 6 January 2021 issued by Shenzhen Real Estate Registration Center, the application materials for the registration of state-owned land use rights and building ownership (cancellation of registration) of the Real Estate Title Certificates mentioned in note 3 have been accepted. As advised by the Company and Longgang Project Company, the registration of the Real Estate Title Certificates had been cancelled.
5. As advised by the Company and pursuant to 2 Cooperation Framework Agreements, a Supplemental Agreement and a Shenzhen Urban Renewal Project Relocation Compensation Agreement (the “**Agreements**”) entered into between Xu zhengrong and Longgang Project Company and/or Shenzhen Qianhai Jia Nian Investment Management Co., Ltd. (深圳前海嘉年投資基金管理有限公司) dated between 8 August 2016 and 29 July 2021, Longgang Project Company is responsible for the demolition of all the buildings and structures on the project site, as well as the pre-construction application, approval, engineering survey, design, construction, quality and safety supervision, and other works involved in the construction and real estate development of the project site, and will undertake all development and construction costs. Longgang Project Company compensates Xu Zhengrong through monetary compensation and property resettlement compensation, in which the monetary compensation is RMB150,000,000 and the property resettlement compensation is with a total gross floor area of approximately 8,000 sq.m and 95 car parking spaces.
6. As advised by the Company and pursuant to an Equity Transfer Agreement dated 17 March 2017 entered into between Shenzhen Jianian City Renovation Investment Consultancy Co., Ltd. (深圳市嘉年城市更新投資諮詢有限公司, “**Longgang Vendor**”) and Fantasia Group (China) Company Limited (“**Fantasia China**”, a wholly-owned subsidiary of the Company), Longgang Vendor agreed to sell 100% of the equity interests in the Longgang Project Company to Fantasia China at a consideration of RMB1,387,200,000. As advised by the Company, 25% of the consideration of RMB346,800,000 had been paid as at the valuation date.
7. We have not been provided with any valid State-owned Construction Land Use Rights Grant Contract or Real Estate Title Certificate of the property.
8. 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. The Agreements are legally binding on the parties involved;
 - b. According to the compensation payment voucher provided by the Company, Longgang Project Company have properly fulfilled its obligations under the Agreements; and
 - c. Provided that the Agreements will not be terminated or rescinded by consensus of the signing parties or according to law (except for termination due to full fulfilment), Longgang Project Company is legally entitled to the rights under the Agreements related to the property.

9. In the valuation of this property, we have made the following assumptions:
- a. According to the information provided by the Company, as at the valuation date, Longgang Project Company has not been qualified as the implementation entity of the property and has not obtained the land use rights of the property. We assume that Longgang Project Company can obtain the title certificate of the land use rights of the property after paying the land transfer fee according to relevant policies and regulations and the property can be freely transferred with no outstanding payable fees or monies; and
 - b. As advised by the Company, after the conversion of land use, the land use rights of the property would be granted for 70 years for residential use and 40 years for commercial use from the valuation date.
10. Our valuation has been made on the following basis and analysis:
- a. In determining the market value of the property under the aforesaid assumptions mentioned in note 9 as at the valuation date, we have identified and analyzed various relevant sales evidence in the locality which have similar characteristics as the property. The floor price of those comparable properties ranges from RMB20,970 to RMB29,611 per sq.m. for residential use, RMB4,944 to RMB6,941 per sq.m. for commercial and office use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location, size and other characters between the comparable properties and the property. The general basis of adjustment is that if the comparable property is superior to the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made; and
 - b. As confirmed by the Company, the resettlement residential, commercial, office properties and car parking spaces would be constructed by Longgang Project Company and handed over after completion for free for resettlement. We have considered such issues in our valuation.
11. A summary of major certificates/approvals is shown as follows:
- | | |
|--|-----|
| a. State-owned Construction Land Use Rights Grant Contract | N/A |
| b. Real Estate Title Certificate (for land) | N/A |
| c. Construction Land Planning Permit | N/A |
| d. Construction Work Planning Permit | N/A |
| e. Construction Work Commencement Permit | N/A |
| f. Pre-sale Permit | N/A |
| g. Construction Work Completion and Inspection Certificate/Table | N/A |
12. In the valuation of the property, we have attributed no commercial value to the property of which the State-owned Construction Land Use Rights Grant Contract or Real Estate Title Certificate have not been obtained by Longgang Project Company. However, for reference purpose, we are of the opinion that the market value of the property related to Longgang Project Company under the aforesaid assumptions mentioned in note 9 as at the valuation date would be RMB377,830,000. According to the information provided by the Company, as at the valuation date, the expected supplementary payment of land transfer fee is approximately RMB318,020,000 and the total construction cost of the resettlement properties is approximately RMB65,100,000. After deducting the expected supplementary payment of land transfer fee and construction cost of the resettlement properties from the market value under the aforesaid assumptions, the reference value of the property related to Longgang Project Company is RMB-5,290,000.

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2021, 2022 and 2023, and the six months ended 30 June 2024 are disclosed on the published annual reports and interim reports of the Company, all of which are published on the website of the Stock Exchange at <http://www.hkexnews.hk/>, and the website of the Company at <http://www.cnfantasia.com>. Quick links to such financial information are set out below:

Annual report of the Company for the year ended 31 December 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0825/2023082500450.pdf>

Annual report of the Company for the year ended 31 December 2022:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0825/2023082500528.pdf>

Annual report of the Company for the year ended 31 December 2023:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042904875.pdf>

Interim report of the Company for the six months ended 30 June 2024:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0925/2024092501517.pdf>

II. INDEBTEDNESS STATEMENT OF THE GROUP

As at the close of business on 31 December 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings as follows:

	<i>RMB million</i>
	31 December
	2024
Senior notes and bonds	47,043
Assets backed securities issued	289
Borrowings	<u>17,948</u>
Total borrowings	<u><u>65,280</u></u>

The security provided by the Group of the above-mentioned borrowings of the Group were certain land use rights, properties for sale, property, plant and equipment, pledged bank deposits and equity interests of certain subsidiaries of the Company. The guaranteed borrowings of the Group were guaranteed by the Company and certain subsidiaries of the Company.

Lease liabilities

As at 31 December 2024, we, as a lessee, had outstanding lease payments which represented undiscounted unpaid lease payments for the remaining terms of relevant lease agreements (excluding our contingent rental arrangements) in an aggregate amount of RMB108 million.

Financial guarantees and contingent liabilities

At the close of business on 31 December 2024, the Group provided guarantees amounting to approximately RMB5,972 million for mortgage facilities granted by certain banks to purchasers of the Group's properties for sales.

At the close of business on 31 December 2024, the aggregate amount of guarantees provided by the Group in respect of its respective equity shares of outstanding obligations under the bank borrowings incurred by the joint ventures and associates for developing their projects amounted to approximately RMB4,743 million.

Save as disclosed above, the Group did not have, at the close of business on 31 December 2024, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchases commitments, debentures, mortgages, charges, finance lease obligations, guarantees or other material contingent liabilities.

III. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

IV. WORKING CAPITAL

As at 31 December 2024, the Group did not repay certain interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) of approximately RMB39,592.3 million according to their scheduled repayment dates. As a result, as at 31 December 2024, interest-bearing liabilities (including bank and other borrowings, senior notes and bonds) with the aggregate principal amount of approximately RMB39,592.3 million had become default or cross default. Subsequent to 31 December 2024, the Group did not repay certain interest-bearing liabilities according to the scheduled repayment dates. These events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. In this connection, the independent auditor of the Company did not express an opinion on the Group's sufficiency of working capital for the 12 months from the date of this circular as required under Rule 14.66(12) of the Listing Rules.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing and have considered the Group's cash flow projections prepared by the management for a period of not less than 12 months from the date of this circular.

The following plans and measures are formulated with the objective to mitigate the liquidity pressure of the Group:

- (i) The Company has appointed a financial adviser for its offshore debt restructuring. The Group is in active discussions with the existing lenders on the renewal of the Group's certain borrowings. These discussions have been constructive and focused on possible actions in light of the current circumstances but do require time to formulate or implement due to the ongoing changes in market conditions. In addition, the Group will continue to seek for new sources of financing or accelerate asset sales to address its upcoming financial obligations and future operating cash flow requirements whilst engaging with its existing lenders;
- (ii) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and trade receivables. The Group will also continue to actively adjust sales and pre-sale activities to better respond to the changing markets in order to meet the latest budgeted sales and pre-sales volumes and amounts;
- (iii) The Group will continue to seek for suitable opportunities to dispose of its equity interest in certain project development companies in order to generate additional cash inflows; and
- (iv) The Group has already taken measures to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will continue to actively assess additional measures to further reduce discretionary spending.

Taking into account the financial resources available to the Group including the internally generated funds and the available banking facilities and assuming the success in the restructuring of the offshore debts, and effective implementation of the above measures, in the absence of unforeseeable circumstances, the Directors are of the view that the Group will have sufficient working capital for at least the next 12 months commencing from the date of this circular.

V. FINANCIAL AND TRADING PROSPECTS

Although the PRC government provides supporting policies on the demand side to boost buying sentiment and gradually loosen the supply side restrictions, the management believes it takes time to restore the confidence of creditors and home buyers. In the short term, the pressure of deleveraging inventories still exists and the suppressed buying sentiments will take time to recover.

The Company has focused, and will continue to focus, on completion and delivery of its property projects, implementing measures to accelerate the sale of properties under development and completed properties, and controlling administrative costs and capital expenditure, resolutely taking measures to execute non-core asset disposal and downsize the business to optimal scale to enable a successful debts restructuring with creditors. The Group believes the above strategies will enhance its resilience to overcome the difficulties.

VI. OTHER INFORMATION**Liquidity, Financial Resources and Capital Structure*****Cash Position***

As at 31 December 2024, the Group's total bank balances and cash were approximately RMB1,800.4 million. A portion of the Group's cash is restricted bank deposits that are mainly restricted for use of property development.

Charges on the Group's Assets

Please refer to II. Indebtedness Statement of the Group above for the indebtedness of the Group. As at 31 December 2024, a substantial part of the borrowings was secured by land use rights, properties and bank deposits of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group through pledging their shares.

Exchange Rate Risk

The Group mainly operates its business in China. Other than the foreign currency denominated bank balances and borrowings, the Group does not have any other material direct exposure to foreign exchange fluctuations.

Employees and Remuneration Policies

As at 31 December 2024, excluding the employees of communities managed on a commission basis, the Group had approximately 15,016 employees. Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and according to the prevailing market practice. Besides salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for Chinese employees), a discretionary bonus program and a share option scheme.

Material Acquisitions and Disposals

The Company did not have any significant acquisition or disposal during the year ended 31 December 2024.

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 Group and the Target Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's Interest in the securities of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executive of the Company has any interests and 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) (i) which were required 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

(i) Long positions in the shares and underlying shares of the Company

Director	Nature of interest	Number of issued ordinary shares of the Company	Interest in underlying shares of the Company	Approximate percentage of interest in the Company as the Latest Practicable Date
Ms. Zeng Jie, Baby	Interest of controlled corporation	3,314,090,500 ⁽¹⁾	–	57.41%

Notes:

- (1) Fantasy Pearl International Limited (“**Fantasy Pearl**”) is owned as to 80% by Ice Apex Limited (“**Ice Apex**”) and 20% by Graceful Star Overseas Limited (“**Graceful Star**”). Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.
- (2) As at the Latest Practicable Date, the number of issued shares of the Company was 5,772,597,864.

(ii) Long positions in the debentures of the Company

Director	Nature of interest	Amount of debentures of the Company held	Approximate percentage of interest in the 2020 USD Notes as at the Latest Practicable Date ⁽¹⁾	Approximate percentage of the interest in the debentures as at the Latest Practicable Date
Ms. Zeng Jie, Baby	Interest of controlled corporation	9.875% senior notes due 2023 issued by the Company	US\$3,000,000 ⁽¹⁾	0.94%
	Interest of controlled corporation	10.875% senior notes due 2024 issued by the Company	US\$4,000,000 ⁽²⁾	1.6%
Mr. Guo Shaomu	Beneficial owner	7.95% senior notes due 2022 issued by the Company	USD200,000	0.067%

Note:

- (1) The debentures are held by Fantasy Pearl, which is indirectly owned as to 80% by Ms. Zeng Jie, Baby.
- (2) These comprise: (i) US\$2,000,000 held by Fantasy Pearl; and (ii) US\$2,000,000 held by Baocollection Limited, a company wholly owned by Ms. Zeng Jie, Baby.

*(iii) Long positions in association corporations*A. *Fantasy Pearl*

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at the Latest Practicable Date
Ms. Zeng Jie, Baby	Interest of controlled corporation	80 ⁽¹⁾	Ordinary	80%

Notes:

- (1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng Jie, Baby.

B. *Colour Life Services Group Co., Limited (“Colour Life”)*

Director	Nature of interest	Number of shares	Description of shares	Approximate percentage of interest in the associated corporation as at the Latest Practicable Date
Ms. Zeng Jie, Baby	Interest of controlled corporation	233,538,642 ⁽¹⁾	Ordinary	15.70%

Notes:

- (1) These include (i) 231,235,846 shares of Colour Life owned by Splendid Fortune Enterprise Limited, a company which is 67.36% owned by Ms. Zeng Jie Baby, and (ii) 2,302,796 shares of Colour Life owned by Fantasy Pearl.
- (2) The interests of Ms. Zeng Jie, Baby in Colour Life disclosed above have excluded the 780,104,676 shares in Colour Life held by the Company, which Ms. Zeng Jie, Baby is also the controlling shareholder.

(b) Substantial shareholders' interest

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

Director	Nature of interest	Number of shares	Approximate percentage of interest in the Company as at the Latest Practicable Date
Fantasy Pearl	Beneficial owner	3,314,090,500	57.41%
Ice Apex	Interest of controlled corporation	3,314,090,500 ⁽¹⁾	57.41%
T.C.L. Industries Holdings Co., Ltd.	Beneficial owner	1,012,740,000 ⁽²⁾	17.54%
TCL Corporation	Interest of controlled corporation	1,012,740,000 ⁽²⁾	17.54%

Notes:

- (1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.
- (2) T.C.L. Industries Holdings Co., Ltd. is wholly owned by TCL Corporation. TCL Corporation is deemed to be interested in the shares held by T.C.L. Industries Holdings Co., Ltd. for the purpose of Part XV of the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and their respective associates was considered to have interests in businesses apart from the Group's businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

The enlarged group has not entered into any contract (not being a contract entered into in the ordinary course of business) within the two years preceding the date of this circular and is or may be material.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the enlarged 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 enlarged group.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advices which are contained in this circular:

Name	Qualification
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

The expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s), certificate(s) and/or opinion(s) and the references to its names included herein in the form and context in which it is respectively included.

The expert confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at 21/F, CMA Building, 64 Connaught Road Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary of the Company is Ms. Luo Shuyu, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text.

11. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.cnfantasia.com>) for a period of 14 days from the date of this circular:

- (a) the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in relation to the Longgang Project, the text of which is set out in Appendix I to this circular;
- (b) the Longgang Agreement; and
- (c) the written consent referred to in the section headed “Expert and Consent” of this Appendix.