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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 licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

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

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萬城  
MILLION CITIES

萬城控股有限公司

**MILLION CITIES HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2892)**

**(1) PROPOSED ISSUE OF NON-CONVERTIBLE  
PREFERENCE SHARES UNDER SPECIFIC MANDATE;  
(2) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NON-CONVERTIBLE PREFERENCE SHARES;  
(3) PROPOSED AMENDMENTS TO THE MEMORANDUM AND  
ARTICLES OF ASSOCIATION;  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be held at Lion Rock, 6/F, Sha Tin Clubhouse, The Hong Kong Jockey Club, Sha Tin, New Territories, Hong Kong on Thursday, 18 November 2021 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for the EGM is enclosed herein. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 10:30 a.m. on 16 November 2021 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

28 October 2021

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## DEFINITIONS

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

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Million Cities Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Ordinary Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2892)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened by the Company for the purpose and, if thought fit, approve, among others, the Specific Mandate, the Subscription Agreement and the transactions contemplated thereunder, and the Proposed Amendments
“Fortune Speed”	Fortune Speed Investments Limited is a company incorporated in the BVI with limited liability. Fortune Speed is a company wholly owned by Winnermax Management Limited, which is in turn wholly owned by Happy Family Assets Limited, a company wholly owned by East Asia International Trustees Limited. East Asia International Trustees Limited is the trustee of the Happy Family Trust, a trust established by Mr. Wong Ting Chung, the chairman of the Board and an executive Director, as the settlor, the protector and one of the beneficiaries of the Happy Family Trust

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## DEFINITIONS

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“Greater Bay Area”	for the purpose of this circular only, the Guangdong-Hong Kong-Macau Bay Area, being the integrated economic and business hub covering the two Special Administrative Regions of the PRC, Hong Kong and Macau, and cities in the PRC including Guangzhou, Huizhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Jiangmen and Zhaoqing
“Group”	the Company and its subsidiaries
“Happy Family Trust”	a trust established on 1 June 2015 by Mr. Wong Ting Chung (as the settlor, the protector and one of the beneficiaries of the Happy Family Trust) and East Asia International Trustees Limited, an independent trustee incorporated in the BVI (as the trustee) for the benefit of Wong’s Family. The beneficiaries of the Happy Family Trust are members of the Wong’s Family
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Euto Capital Partners Limited, a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Fortune Speed and its associates (as defined in the Listing Rules)
“Last Trading Day”	9 September 2021, being the last full trading day of the Ordinary Shares on the Stock Exchange prior to the release of the announcement of the Company dated 9 September 2021 regarding, among others, the Subscription Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	25 October 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“M&A”	the memorandum and articles of association of the Company as amended from time to time
“Non-Convertible Preference Share(s)”	the new non-voting and non-convertible preference share(s) of HK\$0.01 each in the share capital of the Company to be subscribed by Fortune Speed pursuant to the Subscription Agreement
“Ordinary Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan)
“Proposed Amendments”	the proposed amendments to the M&A as set out in Appendix I to this circular
“Relevant Amount”	means HK\$1.15 in respect of each Non-Convertible Preference Share, being HK\$333.5 million divided by 290,000,000 Non-Convertible Preference Shares; and the aggregate Relevant Amount means HK\$333.5 million
“Relevant Event”	any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary; or a sale of all or substantially all of the Group’s assets
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance
“Shareholder(s)”	the holder(s) of the Ordinary Shares
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the EGM to allot and issue the Non-Convertible Preference Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the 290,000,000 Non-Convertible Preference Shares subject to and upon the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 9 September 2021 and entered into between the Company and Fortune Speed in relation to the Subscription
“Subscription Price”	HK\$1.15 per Non-Convertible Preference Share

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## DEFINITIONS

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“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Wong’s Family”	(i) Mr. Wong Ting Chung, an executive Director; (ii) Mr. Wong Ting Kau (brother of Mr. Wong Ting Chung); (iii) Mr. Wong Ting Chun (brother of Mr. Wong Ting Chung); (iv) Mr. Wong Wai Wing Raymond (brother of Mr. Wong Ting Chung); and (v) Ms. Wong Wai Ling (sister of Mr. Wong Ting Chung)
“%”	per cent.



萬城  
MILLION CITIES

萬城控股有限公司  
**MILLION CITIES HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2892)**

*Executive Directors:*

Mr. Wong Ting Chung  
Mr. Lau Ka Keung  
Mr. Li Wa Tat Benedict

*Independent non-executive Directors:*

Mr. Ip Shu Kwan, Stephen  
Mr. Li Yinquan  
Dr. Wu Wing Kuen

*Registered office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*

Unit D, 21/F., Block 1  
Tai Ping Industrial Centre  
57 Ting Kok Road  
Tai Po, New Territories, Hong Kong

28 October 2021

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF NON-CONVERTIBLE  
PREFERENCE SHARES UNDER SPECIFIC MANDATE;  
(2) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NON-CONVERTIBLE PREFERENCE SHARES;  
AND  
(3) PROPOSED AMENDMENTS TO THE MEMORANDUM AND  
ARTICLES OF ASSOCIATION**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 9 September 2021.

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## LETTER FROM THE BOARD

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On 9 September 2021 (after trading hours), the Company and Fortune Speed entered into the Subscription Agreement pursuant to which Fortune Speed has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Fortune Speed, 290,000,000 Non-Convertible Preference Shares at the Subscription Price of HK\$1.15 per Non-Convertible Preference Share, with an aggregate subscription amount of HK\$333.5 million. The net proceeds from the issue of the Non-Convertible Preference Shares, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$333.0 million.

The Non-Convertible Preference Shares will be allotted and issued pursuant to the Specific Mandate proposed to be obtained from the Shareholders at the EGM.

The Board proposes that the Non-Convertible Preference Shares be created and that the M&A be amended to, among others, incorporate the terms of the Non-Convertible Preference Shares.

The purpose of this circular is to provide you with, among other things, (i) further information on the details of the Subscription, the Specific Mandate and the Proposed Amendments; (ii) the recommendation from the Independent Board Committee; and (iii) the advice of the Independent Financial Adviser; and (iv) other information as required to be contained in this circular under the Listing Rules.

## II. THE SUBSCRIPTION

Details of the Subscription Agreement and the transactions contemplated thereunder are set out below:

<b>Date:</b>	9 September 2021 (after trading hours)
<b>Issuer:</b>	The Company
<b>Subscriber:</b>	Fortune Speed
<b>Subscription:</b>	The Company will allot and issue 290,000,000 Non-Convertible Preference Shares to Fortune Speed
<b>Subscription Price:</b>	HK\$1.15 per Non-Convertible Preference Share payable by Fortune Speed in cash, which was arrived at after arm's length negotiations between the Company and Fortune Speed with reference to the average closing price of the Ordinary Shares for 30 consecutive days up to and including the Last Trading Day prior to the date of the Subscription Agreement.

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## LETTER FROM THE BOARD

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The Subscription Price of HK\$1.15 per Non-Convertible Preference Share represents:

- (1) a premium of approximately 11.65% over the closing price of HK\$1.03 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a premium of approximately 7.48% over the closing price of HK\$1.07 per Ordinary Share as quoted on the Stock Exchange on 9 September 2021, being the Last Trading Day;
- (3) a premium of approximately 7.48% over the average closing price of HK\$1.07 per Ordinary Share for the five consecutive trading days up to and including the Last Trading Day;
- (4) a premium of approximately 5.70% over the average closing price of HK\$1.088 per Ordinary Share for the 10 consecutive trading days up to and including Last Trading Day; and
- (5) a premium of approximately 3.05% over the average closing price of HK\$1.116 per Ordinary Share for the 30 consecutive trading days up to and including the Last Trading Day.

**Conditions precedent:**

Completion is conditional upon the fulfillment of the following conditions:

- (a) the passing of special resolutions by the Independent Shareholders to approve, among others, the creation of the class of Non-Convertible Preference Shares;
- (b) all requirements imposed by the Stock Exchange under the Listing Rules, the SFC under the Takeovers Code or otherwise required by any other regulatory authorities in connection with the transactions contemplated under the Subscription Agreement having been fully complied with;
- (c) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before Completion and none of its warranties set out in the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has been remedied) or is misleading or untrue in any material respect;

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## LETTER FROM THE BOARD

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- (d) Fortune Speed having performed all of its obligations under the Subscription Agreement to be performed on or before Completion and none of its warranties set out in the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has been remedied) or is misleading or untrue in any material respect; and
- (e) the Company having obtained the necessary Board approval(s) and Independent Shareholders' approval(s) to approve the Subscription and the execution of the Subscription Agreement and other related documents, and all necessary governmental and/or regulatory approvals required to complete the Subscription.

If the above conditions precedent of the Subscription Agreement are not fulfilled at or before 5:00 p.m. on 31 December 2021 (or such later time or date as may be agreed in writing between the Company and Fortune Speed), the Subscription Agreement shall forthwith cease and terminate and none of the Company or Fortune Speed shall have any claim against the other.

**Completion:**

Completion shall take place within fifteen Business Days following the satisfaction of the last conditions precedent of the Subscription Agreement (or such other date as may be agreed by the Company and Fortune Speed in writing).

As at the Latest Practicable Date, none of the conditions precedent was fulfilled. The closing price of the Ordinary Shares as quoted on the Stock Exchange on the Last Trading Day is HK\$1.07 per Ordinary Share. For illustration purpose, the total market value of the Non-Convertible Preference Shares is HK\$310.3 million by reference to the closing price per Ordinary Share as quoted on the Stock Exchange as at the Last Trading Day.

### III. SPECIFIC MANDATE

The Non-Convertible Preference Shares will be allotted and issued pursuant to the Specific Mandate proposed to be obtained from the Shareholders at the EGM.

### IV. APPLICATION FOR LISTING

No application will be made for the listing of, or permission to deal in, the Non-Convertible Preference Shares on the Stock Exchange or any other stock exchange.

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## LETTER FROM THE BOARD

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### V. NON-CONVERTIBLE PREFERENCE SHARES

Principal terms of the Non-Convertible Preference Shares are set out below:

- Par value:** HK\$0.01 each
- No conversion:** The Non-Convertible Preference Shares are not convertible into Ordinary Shares.
- Purchase:** The Non-Convertible Preference Shares are perpetual and have no maturity date. The Non-Convertible Preference Shares are redeemable at a price equal to the sum of the Relevant Amount (and shall not include any deferred and/or unpaid Preferred Dividend (as defined below)) at the Company's request, but not redeemable at the option of the holder(s) of the Non-Convertible Preference Shares and the holder(s) of the Non-Convertible Preference Shares do not have the right to put back the Non-Convertible Preference Shares to the Company or any other member of the Group.
- Dividend:** So long the Company has not redeemed all of the Non-Convertible Preference Shares pursuant to the Subscription Agreement, each holder of the Non-Convertible Preference Shares shall have the right to receive out of the profits of the Company available for distribution and resolved to be distributed a fixed cumulative preferential cash dividend ("**Preferred Dividend**") at the rate of 3.6% per annum on the Relevant Amount payable annually in arrear. The distribution of the Preferred Dividend shall be subject to annual review by the Board. Preferred Dividend shall accrue with respect to each Non-Convertible Preference Share from the date on which such share is issued and shall be payable in cash to the holder(s) of the Non-Convertible Preference Shares within 90 calendar days after the end of each financial year of the Company.

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## LETTER FROM THE BOARD

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The Board may within 90 calendar days after the end of each financial year of the Company, in its sole discretion, elect to defer or not to pay the Preferred Dividend to holder of the Non-Convertible Preference Shares in whole or in part, and in such event, no interest shall be accrued on any unpaid Preferred Dividend, and irrespective of whether dividend in respect of Ordinary Shares is paid, accrued or deferred. To the extent that any Preferred Dividend that are deferred in the previous year(s), such amount shall accumulate and be payable together with the Preferred Dividend to the holder(s) of the Non-Convertible Preference Shares in the year which the Board elects neither to defer nor not to pay the Preferred Dividend. For the avoidance of doubt, (i) there shall not be any limitation to the amount of cumulative Preferred Dividend; and (ii) any Preferred Dividend which the Board elects not to pay shall be cancelled and shall not accumulate to the Preferred Dividend payable in the forthcoming year(s) (if any).

The Company shall pay the Preferred Dividend subject to the requirements under the M&A and the relevant laws and regulations of the Cayman Islands.

- Distribution of assets:** Holder(s) of the Non-Convertible Preference Shares will have priority over the Shareholders on the assets and funds of the Company available for distribution upon occurrence of the Relevant Event.
- Voting:** Holder(s) of the Non-Convertible Preference Shares will be entitled to receive notices of and to attend the general meetings of the Company but is not permitted to vote unless a resolution is proposed to vary the rights of the Non-Convertible Preference Shares or a resolution is proposed for the winding up of the Company.
- Listing:** The Non-Convertible Preference Shares will not be listed on the Stock Exchange or any other securities exchange.

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## LETTER FROM THE BOARD

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**Transferability:** The Non-Convertible Preference Shares may be transferrable, in whole or in part, to any third party (including connected person of the Company) subject to compliance with the conditions of the articles of association of the Company and the conditions, approvals, requirements and any other provisions of or under the Listing Rules (including any approval(s) that may be required from the Stock Exchange in case the Non-Convertible Preference Shares are transferred to a connected person of the Company), and all applicable laws and regulations.

As at the Latest Practicable Date, Fortune Speed held 75.0% of shareholding interest in the Company, thus is the controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Lau Ka Keung is the spouse of Ms. Wong Wai Ling, who is one of the beneficiaries of the Happy Family Trust and therefore Mr. Lau Ka Keung is deemed to be interested in the Ordinary Shares held by the Happy Family Trust.

As such, each of Mr. Wong Ting Chung and Mr. Lau Ka Keung has abstained from voting on the Board resolutions approving the Specific Mandate, the Subscription Agreement and the transactions contemplated thereunder. Save as the above, none of the Directors has material interest in the transactions contemplated under the Subscription Agreement or is required to abstain from voting on the Board resolutions in relation to the transactions contemplated under the Subscription Agreement.

### VI. EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The Non-Convertible Preference Shares are not convertible into Ordinary Shares, hence the Subscription will not affect the holdings of the Ordinary Shares. For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion (assuming there are no other changes in the issued share capital of the Company):

Name of shareholders	As at the Latest Practicable Date		Immediately after Completion (Note 3)			
	No. of Ordinary Shares	Approximate % (Note 2)	No. of Ordinary Shares	Approximate % (Note 2)	No. of Non-Convertible Preference Shares	Approximate % (Note 2)
Fortune Speed (Note 1)	562,500,000	75.0	562,500,000	75.0	290,000,000	100.0
Public Shareholders	187,500,000	25.0	187,500,000	25.0	—	—
Total	<u>750,000,000</u>	<u>100.0</u>	<u>750,000,000</u>	<u>100.0</u>	<u>290,000,000</u>	<u>100.0</u>

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## LETTER FROM THE BOARD

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*Notes:*

1. Fortune Speed is a company wholly owned by Winnermax Management Limited, which is in turn wholly owned by Happy Family Assets Limited, a company wholly owned by East Asia International Trustees Limited. East Asia International Trustees Limited is the trustee of the Happy Family Trust, a trust established by Mr. Wong Ting Chung, the chairman of the Board and an executive Director, as the settlor, the protector and one of the beneficiaries of the Happy Family Trust. The beneficiaries of the Happy Family Trust are members of the Wong's Family.
2. Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals or sub-totals may not be an arithmetic aggregation of the figures preceding them.

### VII. INFORMATION ON THE PARTIES

#### **The Company**

The Company is incorporated in the Cayman Islands and is an investment holding company. Its subsidiaries are principally engaged in property development in the PRC.

#### **Fortune Speed**

Fortune Speed is a company incorporated in the BVI and is an investment holding company. Fortune Speed held 75.0% of shareholding interest in the Company, thus is the controlling shareholder of the Company. Fortune Speed is a company wholly owned by Winnermax Management Limited, which is in turn wholly owned by Happy Family Assets Limited, a company wholly owned by East Asia International Trustees Limited. East Asia International Trustees Limited is the trustee of the Happy Family Trust, a trust established by Mr. Wong Ting Chung, the chairman of the Board and an executive Director, as the settlor, the protector and one of the beneficiaries of the Happy Family Trust. The beneficiaries of the Happy Family Trust are members of the Wong's Family.

### VIII. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Substantial capital has been required for the Group to develop properties in the PRC over the years. As disclosed in the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), the Group recorded improvements in the profit for the period attributable to equity shareholders during the six months ended 30 June 2021 (the “**2021 Interim Period**”), as compared to the same of the same period last year. During the 2021 Interim Period, several property projects, namely Million Cities Tycoon Place Phase 4 in Tianjin, Dragon Terrace Phase 1 in Huizhou and Dragon Palace Phase 1 in Henan, were completed for delivery. Apart from that, the Group also achieved increase in contracted sales value. As at 30 June 2021, the Group had total assets of approximately RMB3.4 billion, total liabilities of approximately RMB2.1 billion and a gearing ratio (calculated as interest bearing bank loans over equity) of approximately 26.3%. As disclosed in the 2021 Interim Report, the Group persistently upholds a prudent and proactive attitude in replenishing land bank, focusing on project development in the Greater Bay Area.

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## LETTER FROM THE BOARD

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The Directors consider that the Subscription will support the Group's long term growth in property development in the target market. The net proceeds (as further discussed below) raised from the Subscription will strengthen the Group's financial resources to facilitate it to further develop opportunities secured in the property development business that the Group may identify from time to time, and improve its profitability in sustainable manner.

Other than the Subscription, the Board has considered other alternative means, including additional bank borrowings, placement of Ordinary Shares, rights issue or open offer, to raise funds. In respect of possibility of placement of Ordinary Shares, the Directors does not consider it as a preferred option as it would immediately dilute the interests of the existing Shareholders. Since the trading liquidity of Ordinary Shares is minimal (i.e. the average daily trading volume of Ordinary Shares from 2 January 2021 to the Latest Practicable Date only represented approximately 0.01% of the total number of issued Ordinary Shares), the Directors are of the view that it would be difficult to convince all of the Shareholders, in particular the minority Shareholders, and/or new investors to subscribe for new Ordinary Shares by way of placement of Ordinary Shares. The Directors also considered the possibility of a rights issue or an open offer exercise. However, a rights issue or an open offer exercise will require a relatively lengthy process, including but not limited to, the preparation of a requisite compliance and legal documentation, such as announcements, circulars, prospectus etc.. The administrative costs involved would also be higher due to the requirement of issuance of prospectus and application forms and underwriting fee/placing commission to be incurred. The Company also considered procurement of additional bank borrowings and/or issuance of debt instruments, such as bonds or convertible bonds. The Directors are of the view that bearing additional liabilities would not be in the interests of the Company and the Shareholders in long run.

As at the Latest Practicable Date, the Group was negotiating with the relevant governmental authority regarding the acquisition of a piece of land in Huizhou ("**Target Land**") for its property development. The Directors intend to acquire and develop the Target Land ("**Project**") by (i) utilising the net proceeds from the Subscription and its general working capital; and (ii) way of bank financing. Based on the negotiations with bank regarding the financing for the Project as at the Latest Practicable Date, the annual interest rate is estimated to be around 6% per annum. The Directors are of the view that to finance the Project by substantially through bank borrowings and bearing additional liabilities would not be in the interests of the Company in a long term. Thus, the Directors are of the view that equity financing through the Subscription, which bear a lower interest rate (i.e. 3.6% per annum), shall lower the overall cost of funding. Having considered that the Non-Convertible Preference Shares to be issued by the Company is of equity in nature, the issue of which will not adversely affect the Group's gearing position, and since they are non-convertible into Ordinary Shares, they will not result in any dilution of existing Shareholders' interests in the Company. And the cost of funding associated with the issue of the Non-Convertible Preference Shares is relatively low compared with bank financing as abovementioned. Thus, the Board is of the view that the issue of the Non-Convertible Preference Shares is the most appropriate way to raise funds in the current market conditions. The Board considers that the issue of the Non-Convertible Preference Shares

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## LETTER FROM THE BOARD

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will strengthen the financial position of the Group, which could consequently lower the average cost of funding for future investment opportunities that associated with debt financing.

The Directors consider that, although the entering of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement (including the rate of the Preferred Dividend) are fair and reasonable and the Subscription is in the best interest of the Company and the Shareholders as a whole.

### **IX. USE OF PROCEEDS**

The total subscription amount of the Non-Convertible Preference Shares is HK\$333.5 million. The net proceeds from the issue of the Non-Convertible Preference Shares, after deduction of all relevant expenses incidental to the Subscription, are estimated to be approximately HK\$333.0 million. The Group intends to apply the net proceeds from the Subscription for business development of the Group for its acquisition of the Target Land, which is estimated to be not less than approximately HK\$500.0 million based on the information available to the Directors as at the Latest Practicable Date and is expected to be utilised in early 2022, subject to negotiation results with the relevant governmental authorities. Apart from utilising the net proceeds from the Subscription in the acquisition of the Target Land, the Group intends to finance the acquisition also by its general working capital. Please refer to the paragraph headed “Reasons for and benefits of the Subscription” in this section for further details.

In any event that the acquisition of the Target Land is not materialised, the Group would proceed with the development of its existing projects, including Million Cities International Phase 4 and 5, and/or Million Cities Royal Court, whereby the net proceeds will then be utilised for payment of costs to be incurred in 2022 for such development project(s).

### **X. EQUITY FUND RAISING ACTIVITIES FOR THE PAST 12 MONTHS**

The Company did not conduct any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

### **XI. LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Fortune Speed held 75.0% of shareholding interest in the Company, and is the controlling shareholder of the Company. Fortune Speed is beneficially owned by East Asia International Trustees Limited, which is the trustee of the Happy Family Trust, a trust established by Mr. Wong Ting Chung, the chairman of the Board and an executive Director, as the settlor, the protector and one of the beneficiaries of the Happy Family Trust. Thus, Fortune Speed is a connected person of the Company under the Listing Rules, and the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to, reporting, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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As such, Fortune Speed and its associates will be required to abstain from voting at the EGM in respect of the Subscription Agreement and the transactions contemplated thereunder.

### **XII. PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION**

The Board proposes that the M&A be amended to, among others, incorporate the terms of the Non-Convertible Preference Shares. Details of such amendments have been set out in Appendix I to this circular.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the EGM, with amendments to take effect when the Proposed Amendments becomes effective at the EGM.

### **XIII. EGM**

The EGM will be held at Lion Rock, 6/F, Sha Tin Clubhouse, The Hong Kong Jockey Club, Sha Tin, New Territories, Hong Kong on Thursday, 18 November 2021 at 10:30 a.m. for the purpose of approving, among other matters, the Specific Mandate, the Subscription Agreement and the transactions contemplated thereunder, and the Proposed Amendments by way of poll.

At the EGM, any Shareholders with a material interest in the Subscription are required to abstain from voting in respect of the resolution(s) approving the Subscription. As at the Latest Practicable Date, Fortune Speed and its associates held an aggregate of 562,500,000 Ordinary Shares (representing approximately 75.0% of the total issued share capital of the Company), controlled or were entitled to control over the voting right in respect of their Ordinary Shares. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except for Fortune Speed and its associates who held an aggregate of 562,500,000 Ordinary Shares (representing approximately 75.0% of the total issued share capital of the Company), no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the Subscription Agreement and the transactions contemplated thereunder at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed on it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 48 hours before the time fixed for holding the EGM (i.e. no later than 10:30 a.m. on 16 November 2021 (Hong Kong time)) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholders from attending, and voting at, the EGM or any adjournment thereof if the Shareholders so wish.

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## LETTER FROM THE BOARD

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### **Closure of register of members for attending and voting at the EGM**

In order to determine the Shareholders who are eligible to attend the EGM, the register of members of the Company will be closed from 15 November 2021 to 18 November 2021, both days inclusive. During such period, no transfer of Ordinary Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 12 November 2021.

### **Precautionary measures for the EGM**

Please see Appendix III to this circular for measures to be taken for the prevention and control of the spread of Novel Coronavirus (COVID-19) at the EGM, including:

- compulsory body temperature checks and health declaration;
- recommended wearing of a surgical face mask for each attendee; and
- no provision of corporate gift or refreshment.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

### **XIV. TYPHOON OR BLACK RAINSTORM WARNING ARRANGEMENTS**

If typhoon signal No. 8 or above, or a black rainstorm warning is in effect at 7:30 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on its website ([www.millioncities.com.cn](http://www.millioncities.com.cn)) and designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify the Shareholders of the date, time and place of the rescheduled meeting.

### **XV. FURTHER INFORMATION**

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation from the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### XVI. RECOMMENDATION

The Directors consider that, although the entering of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) recommend the (i) Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the EGM for approving the Subscription Agreement and the transactions contemplated thereunder; and (ii) Shareholders to vote in favour of the Specific Mandate and Proposed Amendments.

### XVII. WARNING NOTICE

Your attention is drawn to the information set out in the appendices to this circular and the notice of the EGM.

**Completion of the transactions contemplated under the Subscription Agreement is subject to the satisfaction of the conditions precedent. Therefore, the Subscription Agreement may or may not proceed.**

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

Yours faithfully,  
By order of the Board  
**Million Cities Holdings Limited**  
**Wong Ting Chung**  
*Chairman and executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder:*



萬城  
MILLION CITIES

### 萬城控股有限公司 MILLION CITIES HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2892)**

*To the Independent Shareholders*

Dear Sirs or Madams,

**(1) PROPOSED ISSUE OF NON-CONVERTIBLE  
PREFERENCE SHARES UNDER SPECIFIC MANDATE;  
(2) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NON-CONVERTIBLE PREFERENCE SHARES;  
AND  
(3) PROPOSED AMENDMENTS TO THE MEMORANDUM  
AND ARTICLES OF ASSOCIATION**

We refer to the circular dated 28 October 2021 (the “**Circular**”) to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice of the Independent Financial Adviser and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in giving such advice are set out in the “Letter from the Independent Financial Adviser” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendices thereto.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the (i) terms of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the factors referred to in the “Letter from the Independent Financial Adviser” in the Circular, we are of the opinion that despite the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the transactions contemplated thereunder are (i) fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned; (ii) on normal commercial terms; and (iii) in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions at the EGM to approve the entering into the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**The Independent Board Committee**

**Dr. Ip Shu Kwan, Stephen**  
*Independent*  
*non-executive Director*

**Mr. Li Yinquan**  
*Independent*  
*non-executive Director*

**Dr. Wu Wing Kuen**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from the Independent Financial Adviser prepared for the purpose of the inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders.*



Euto Capital Partners Limited  
Room 2418, Wing On Centre,  
111 Connaught Road Central,  
Hong Kong

T +852 3106 2393  
F +852 3582 4722  
www.eutocapital.com

28 October 2021

*To the Independent Board Committee and  
the Independent Shareholders of Million Cities Holdings Limited*

Dear Sirs and Madams,

**(1) PROPOSED ISSUE OF NON-CONVERTIBLE PREFERENCE SHARES  
UNDER SPECIFIC MANDATE; AND  
(2) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NON-CONVERTIBLE PREFERENCE SHARES**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the subscription of the 290,000,000 Non-Convertible Preference Shares (subject to and upon the terms and conditions of the Subscription Agreement) and the transactions contemplated thereafter.

Details of the Subscription Agreement are set out in the “Letter from the Board” (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 28 October 2021 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 9 September 2021, the Company and Fortune Speed Investments Limited (“**Fortune Speed**”) entered into the Subscription Agreement pursuant to which Fortune Speed has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Fortune Speed, 290,000,000 Non-Convertible Preference Shares at the Subscription Price of HK\$1.15 per Non-Convertible Preference Share, with an aggregate subscription amount of HK\$333.50 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### LISTING RULES IMPLICATION

As at the Latest Practicable Date, Fortune Speed held 75.0% of shareholding interest in the Company, thus is the controlling shareholder of the Company. Fortune Speed is beneficially owned by East Asia International Trustees Limited, which is the trustee of the Happy Family Trust, a trust established by Mr. Wong Ting Chung, the chairman of the Board and an executive Director, as the settlor, the protector and one of the beneficiaries of the Happy Family Trust. Thus, Fortune Speed is a connected person of the Company under the Listing Rules, and the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to, reporting, announcement and the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As such, Fortune Speed and its associates will be required to abstain from voting at the EGM in respect of the Specific Mandate, the Subscription Agreement and the transactions contemplated thereunder.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ip Shu Kwan, Stephen, Mr. Li Yinquan and Dr. Wu Wing Kuen, has been established to advise and give recommendation to the Independent Shareholders on the Subscription and the transactions contemplated thereafter.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion on the Subscription and the transactions contemplated thereafter.

### OUR INDEPENDENCE

We, Euto Capital Partners Limited ("**Euto Capital**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Euto Capital is a licensed corporation licensed under the Securities and Futures Ordinance to conduct type 6 (advising on corporate finance) regulated activities, and participated in and completed various independent financial advisory transactions since 2015. Mr. Manfred Shiu ("**Mr. Shiu**") and Mr. Carfield Tang ("**Mr. Tang**") are the persons jointly signing off the opinion letter from Euto Capital contained in the Circular. Mr. Shiu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2009, while Mr. Tang has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since August 2021. Both Mr. Shiu and Mr. Tang have participated in and completed various independent financial advisory transactions in Hong Kong.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, we were not aware of any relationships or interest between Euto Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Euto Capital's independence as defined under Rule 13.80 of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereafter. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations.

We are not associated or connected with the Company, the Subscriber or their respective core connected persons or associates. Save for this appointment as the Independent Financial Adviser to provide our independent advise on the Subscription and the transactions contemplated thereafter, as at the Latest Practicable Date, we did not have any other relationship with or any interests in the Company, the Subscriber or their respective core connected persons, associates, close associates or any party acting or presumed to be acting in concert with any of them that could reasonably be regarded as relevant to our independence nor have had any other engagement with the Company in the last two years. Accordingly, we are considered eligible to give independent advice on the Subscription and the transactions contemplated thereafter. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Subscriber or their respective core connected persons or associates. Accordingly, we consider that we are eligible to give independent advice on the Subscription and the transactions contemplated thereafter.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereafter, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the "**Management**").

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to this transaction, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription and the transactions contemplated thereafter and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation regarding the Subscription and the transactions contemplated thereafter, we have considered the principal factors and reasons set out below:

#### **1. Background information of the Group and Fortune Speed**

The Company is incorporated in the Cayman Islands and is an investment holding company. Its subsidiaries are principally engaged in property development in the PRC.

Fortune Speed is a company incorporated in the BVI and is an investment holding company. Fortune Speed held 75.0% of shareholding interest in the Company, thus is the controlling shareholder of the Company. Fortune Speed is a company wholly owned by Winnermax Management Limited, which is in turn wholly owned by Happy Family Assets Limited, a company wholly owned by East Asia International Trustees Limited. East Asia International Trustees Limited is the trustee of the Happy Family Trust, a trust established by Mr. Wong Ting Chung, the chairman of the Board and an executive Director, as the settlor, the protector and one of the beneficiaries of the Happy Family Trust.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**2. Financial information of the Group**

**2.1 Historical financial performance**

Set out below is a summary of the financial information of the Group for (i) the financial years ended 31 December 2019 (“**FY2019**”) and 31 December 2020 (“**FY2020**”) as extracted from the annual report of the Company for the year ended 31 December 2020 (“**Annual Report 2020**”) and (ii) the six months ended 30 June 2021 and 30 June 2020 as extracted from the interim report of the Company for the six months ended 30 June 2021 (“**Interim Report 2021**”):

	<b>For the</b>			
	<b>six months ended 30 June</b>			
	<b>2021</b>	<b>2020</b>	<b>FY2020</b>	<b>FY2019</b>
	(unaudited)	(unaudited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>				
— Sale of Properties	634,505	660,387	1,238,585	351,829
— Gross Rentals from Properties	<u>1,517</u>	<u>1,210</u>	<u>2,775</u>	<u>2,455</u>
	636,022	661,597	1,241,360	354,284
<b>Cost of Sales</b>	(489,012)	(371,994)	(690,122)	(221,286)
<b>Gross Profit</b>	147,010	289,603	551,238	132,998
<b>Gross Profit Margin</b>	23.11%	43.77%	44.41%	37.54%
<b>Profit for the Year</b>	<u><u>127,657</u></u>	<u><u>135,671</u></u>	<u><u>231,863</u></u>	<u><u>17,668</u></u>

*(i) Comparison of FY2020 and FY2019*

In FY2020, the Group recorded revenue of approximately RMB1.24 billion, representing a significant increase of approximately RMB887.08 million (equivalent to an increase of approximately 250.39%) from approximately RMB354.28 million in FY2019 mainly because of the recognition of revenue from Million Cities Legend Phase 2, which was completed for delivery in 2020.

The Group’s cost of sales primarily consists of specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. The Group’s cost of sales increased from approximately RMB221.29 million in FY2019 to approximately RMB690.12 million in FY2020, representing an increase of

approximately RMB468.83 million (equivalent to an increase of approximately 211.86%), which was in conjunction with the increase in revenue recognised for FY2020.

The Group's gross profit margin increased to approximately 44.41% in FY2020 from approximately 37.54% in FY2019 since revenue for FY2020 was mainly contributed by the revenue from Million Cities Legend Phase 2 which had a higher gross profit margin than the residential housing of Crown Grand Court.

Accordingly, the Group's profit in FY2020 increased significantly by approximately RMB214.19 million from approximately RMB17.67 million to approximately RMB231.86 million.

*(ii) Comparison of the six months ended 30 June 2021 and 30 June 2020*

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB636.02 million, which maintains relatively same level with the revenue of approximately RMB661.60 for the six months ended 30 June 2020. Nevertheless, the Group's cost of sales for the six months ended 30 June 2021 increased significantly to approximately RMB489.01 million from approximately RMB371.99 million for the six months ended 30 June 2020 (equivalent to an increase of approximately 31.46%) due to, as advised by the Management, relatively higher development costs incurred in Tianjin for the project namely Million Cities Tycoon Place Phase 4 which was completed for delivery during the interim period of 2021 as compared with the Huizhou project namely Million Cities Legend Phase 2 which was completed for delivery in the same period of 2020, attributable to different costs structure in different locations. Accordingly, the Group's gross profit margin, for the six months ended 30 June 2021, decreased to approximately 23.11% from approximately 43.77% for the six months ended 30 June 2020 and the Group's profit decreased by approximately RMB8.01 million from approximately RMB135.67 million for the six months ended 30 June 2020 to approximately RMB127.66 million for the six months ended 30 June 2021.

According to the Management, the decrease in gross profit margin was due to the lower gross profit margin for Million Cities Tycoon Place Phase 4, which was completed during the six months ended 30 June 2021, as compared to Million Cities Legend Phase 2, which was completed in FY2020.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**2.2 Historical financial position**

Set out below is the extract of financial position of the Group as at 31 December 2019 and 2020 as extracted from the Annual Report 2020 and the financial position of the Group as at 30 June 2021 as extracted from Interim Report 2021:

	<b>As at 30 June 2021</b>	<b>For the year ended 31 December</b>	
	(unaudited)	<b>2020</b>	<b>2019</b>
	<i>RMB'000</i>	<i>(audited)</i>	<i>(audited)</i>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>	668,797	565,826	267,605
<b>Current assets</b>	2,690,374	2,832,113	3,597,996
<b>Current liabilities</b>	(2,056,519)	(2,224,807)	(2,836,088)
<b>Non-current liabilities</b>	(3,901)	(4,465)	(104,630)
<b>Net assets</b>	1,298,751	1,168,667	924,883

*(i) Comparison of financial position as at 31 December 2020 and 31 December 2019*

The non-current assets of the Group as at 31 December 2020 amounted to approximately RMB565.83 million, representing an increase of approximately RMB298.22 million (equivalent to an increase of approximately 111.44%) from approximately RMB267.61 million as at 31 December 2019. Such increase was due to an increase of interest in associates by approximately RMB311.24 million from approximately RMB104.14 million as at 31 December 2019 to approximately RMB415.38 million as at 31 December 2020.

The current assets of the Group as at 31 December 2020 amounted to approximately RMB2.83 billion, representing a decrease of approximately RMB765.88 million (equivalent to a decrease of approximately 21.28%) from approximately RMB3.60 billion as at 31 December 2019. Such decrease was mainly due to (i) a decrease of pledged and restricted deposits by approximately RMB295.67 million from approximately RMB402.96 million as at 31 December 2019 to approximately RMB107.30 million as at 31 December 2020; and (ii) a decrease of cash and cash equivalents by approximately RMB365.60 million from approximately RMB731.91 million as at 31 December 2019 to approximately RMB366.31 million as at 31 December 2020.

The current liabilities of the Group as at 31 December 2020 amounted to approximately RMB2.22 billion, representing a decrease of approximately RMB611.28 million (equivalent to a decrease of approximately 21.55%) from approximately RMB2.84 billion as at 31 December 2019. Such decrease was

mainly due to a decrease of contract liabilities by approximately RMB977.45 million from approximately RMB1.92 billion as at 31 December 2019 to approximately RMB945.94 million as at 31 December 2020.

The non-current liabilities of the Group as at 31 December 2020 amounted to approximately RMB4.47 million, representing a significant decrease of approximately RMB100.16 million from approximately RMB104.63 million as at 31 December 2019. Such decrease was mainly due to (i) a decrease of other payables from approximately RMB73.74 million as at 31 December 2019 to nil as at 31 December 2020; and (ii) a decrease of deferred tax liabilities from approximately RMB30.89 million as at 31 December 2019 to approximately RMB3.80 million as at 31 December 2020.

As a result of the aforesaid, the Group's net asset value amounted to approximately RMB1.17 billion as at 31 December 2020, compared to approximately RMB924.88 million as at 31 December 2019, representing an increase of approximately RMB243.79 million or 26.36%.

*(ii) Comparison of financial position as at 30 June 2021 and 31 December 2020*

The non-current assets of the Group as at 30 June 2021 amounted to approximately RMB668.80 million, representing an increase of approximately RMB102.97 million (equivalent to an increase of approximately 18.20%) from approximately RMB565.83 million as at 31 December 2020. Such increase was due to an increase of interest in associates by approximately RMB103.62 million from approximately RMB415.38 million as at 31 December 2020 to approximately RMB519.00 million as at 30 June 2021.

The current assets of the Group as at 30 June 2021 amounted to approximately RMB2.69 billion, representing a decrease of approximately RMB141.74 million (equivalent to a decrease of approximately 5.00%) from approximately RMB2.83 billion as at 31 December 2020. Such decrease was mainly due to a decrease of inventories and other contract cost by approximately RMB200.20 million from approximately RMB2.21 billion as at 31 December 2020 to approximately RMB2.01 billion as at 30 June 2021.

The current liabilities of the Group as at 30 June 2021 amounted to approximately RMB2.06 billion, representing a decrease of approximately RMB168.29 million (equivalent to a decrease of approximately 7.56%) from approximately RMB2.22 billion as at 31 December 2020. Such decrease was mainly due to a decrease of contract liabilities by approximately RMB349.87 million from approximately RMB945.94 million as at 31 December 2020 to approximately RMB596.07 million as at 30 June 2021.

The non-current liabilities of the Group as at 30 June 2021 amounted to approximately RMB3.90 million, representing a decrease of approximately RMB0.57 million, from approximately RMB4.47 million as at 31 December

2020. Such decrease was mainly due to a decrease of deferred tax liabilities by approximately RMB0.29 million from approximately RMB3.80 million as at 31 December 2020 to approximately RMB3.51million as at 30 June 2021.

As a result of the aforesaid, the Group's net asset value amounted to approximately RMB1.30 billion as at 30 June 2021, compared to approximately RMB1.17 billion as at 31 December 2020, representing an increase of approximately RMB130.08 million or approximately 11.13%.

### **3. Reasons for entering into the Subscription**

#### ***3.1 Reasons for the Subscription***

As disclosed in the Letter, the Group persistently upholds a prudent and proactive attitude in replenishing land bank, focusing on project development in the Greater Bay Area. The Directors consider that the Subscription will support the Group's long term growth in property development in the target market. The net proceeds raised from the Subscription will strengthen the Group's financial resources to facilitate it to further develop opportunities secured in the property development business that the Group may identify from time to time, and improve its profitability in sustainable manner.

As further disclosed in the Letter, as at the Latest Practicable Date, the Group was negotiating with the relevant governmental authority regarding the acquisition of a piece of land in Huizhou for its property development and the Management expects the fund for the aforesaid project is required to be ready around early 2022. The Directors intend to acquire and develop the aforesaid land by utilizing the net proceeds from the Subscription.

Having considered the above, in particular, the Group has a genuine funding needs for its business operations and the proposed issuance of the Non-convertible Preference Shares can provide it with new funding for its operations without further jeopardising its gearing level, we consider the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

#### ***3.2 Financing alternatives***

Based on our discussion with the Management, we understand that the Company has considered alternative fund-raising methods, including additional bank borrowings, placement of Ordinary Shares, rights issue or open offer, but resolved to proceed with the issuance of Non-convertible Preference Shares.

For the possibility of placement of Ordinary Shares, we have discussed and understand that the Company does not consider it as a preferred option as this fund-raising method would immediately dilute the interests of the existing Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we understand from that Management that the thin trading liquidity of the Ordinary Shares also make them difficult to convince all of its Shareholders, in particular the public Shareholders, and/or new investors to subscribe for new Ordinary Shares of the Company. The Management further advised us that the Company has approached certain public Shareholders and those public Shareholders indicated they had no interest to subscribe for new Ordinary Shares of the Company. In this respect we have reviewed the trading liquidity pattern of the Ordinary Shares from 2 January 2021 to the Latest Practicable Date and noted that the average daily trading volume of the Ordinary Shares as compared to the total issued share capital of the Company is merely around 0.01% of total Ordinary Shares, which is a negligible amount.

Based on our understanding, the Company has also considered the possibility of a rights issue or an open offer exercise as it is offered to all Shareholders on a pro-rata basis. However, a rights issue or an open offer exercise will require a relatively lengthy process including but not limited to, the preparation of the requisite compliance and legal documentation such as announcements, circulars, prospectus etc. The administrative costs involved would also be higher due to the need to issue prospectus and application forms and underwriting fee/placing commission to be incurred.

We also understand that the Company has considered procurement of additional bank borrowings and/or issuance of debt instruments such as bonds or convertible bonds. However, based on the negotiations with bank regarding the financing for the Project as at the Latest Practicable Date, the annual interest rate is estimated to be around 6% per annum while, on the other hand, the equity financing through the Subscription bears a lower interest rate (i.e. 3.6% per annum). Also, considering the gearing ratio of the Company (calculated as interest bearing bank loans over equity)) as at 30 June 2021 was approximately 26.3%, the Directors are of the view and we concur that bearing additional liabilities would not be in the interests of the Company in the longer run.

After considering all the alternatives as discussed above, the Company resolved to proceed with the issuance of the Non-convertible Preference Shares.

We have also enquired the Management whether other potential investors were considered as subscribers for the Non-convertible Preference Shares offer. Based on our understanding, the Company has assessed possible issuances of preference shares to other potential investors and is of the view that due to the current financial position, whether or not it would be able to attract interests from other potential investors would be highly uncertain and the process for it to seek interests from potential investors would also be lengthy. As such, the Management considers that a placing to Fortune Speed provides an efficient mean of raising capital for the Group's immediate needs.

Given that (i) the Subscription is expected to improve the gearing position of the Group upon completion of the Subscription, in particular, the enhancement of cash position of the Group, as further elaborated under the section headed “5. Impact on shareholding structure and financial position/results of the Company” below; and (ii) the Subscription is considered the most appropriate for the Group to raise funds among other fund-raising alternatives for the moment, the Directors consider, and we concur, that the entering into of the Subscription Agreement is in the interests of the Company and its Shareholders as a whole.

**4. Assessment of the Principal terms of the Subscription Agreement and the Non-Convertible Preference Shares**

***4.1 Principal terms of the Subscription Agreement and the Non-Convertible Preference Shares***

Below please find the principle terms of the Subscription Agreement:

- Date:** 9 September 2021 (after trading hours)
- Issuer:** The Company
- Subscriber:** Fortune Speed
- Subscription:** The Company will allot and issue 290,000,000 Non-Convertible Preference Shares to Fortune Speed.
- Subscription Price:** HK\$1.15 per Non-Convertible Preference Share payable by Fortune Speed in cash, which was arrived at arm’s length negotiations between the Company and Fortune Speed with reference to the average closing price of the Ordinary Shares for 30 consecutive days up to and including the Last Trading Day prior to the date of the Subscription Agreement.

The Subscription Price of HK\$1.15 per Non-Convertible Preference Share represents:

- (a) a premium of approximately 7.48% over the closing price of HK\$1.07 per Ordinary Share as quoted on the Stock Exchange on 9 September 2021, being the Last Trading Day;
- (b) a premium of approximately 7.48% over the average closing price of HK\$1.07 per Ordinary Share for the five consecutive trading days up to and including the Last Trading Day;

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- (c) a premium of approximately 5.70% over the average closing price of HK\$1.088 per Ordinary Share for the 10 consecutive trading days up to and including Last Trading Day; and
- (d) a premium of approximately 3.05% over the average closing price of HK\$1.116 per Ordinary Share for the 30 consecutive trading days up to and including the Last Trading Day.

**Conditions  
precedent:**

Completion is conditional upon the fulfillment of the following conditions:

- (a) the passing of special resolutions by the Independent Shareholders to approve, among others, the creation of the class of Non-Convertible Preference Shares and amendments to the memorandum and articles of association of the Company;
- (b) all requirements imposed by the Stock Exchange under the Listing Rules, the SFC under the Takeovers Code or otherwise required by any other regulatory authorities in connection with the transaction contemplated under the Subscription Agreement having been fully complied with;
- (c) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before Completion and none of its warranties set out in the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has been remedied) or is misleading or untrue in any material respect;
- (d) Fortune Speed having performed all of its obligations under the Subscription Agreement to be performed on or before Completion and none of its warranties set out in the Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has been remedied) or is misleading or untrue in any material respect; and

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- (e) the Company having obtained the necessary Board approval(s) and Independent Shareholders' approval(s) to approve the Subscription and the execution of the Subscription Agreement and other related documents, and all necessary governmental and/or regulatory approvals required to complete the Subscription.

If the above conditions precedent of the Subscription Agreement are not fulfilled at or before 5:00 p.m. on 31 December 2021 (or such later time or date as may be agreed in writing between the Company and Fortune Speed), the Subscription Agreement shall forthwith cease and terminate and none of the Company or Fortune Speed shall have any claim against the other.

**Completion:** Completion shall take place within fifteen Business Days following the satisfaction of the last condition precedent of the Subscription Agreement (or such other date as may be agreed by the Company and Fortune Speed in writing).

The closing price of the Ordinary Shares as quoted on the Stock Exchange on the Last Trading Day is HK\$1.07 per Ordinary Share. For illustration purpose, the total market value of the Non-Convertible Preference Shares is HK\$310.3 million by reference to the closing price per Ordinary Share as quoted on the Stock Exchange as at the Last Trading Day, being the date of the Subscription Agreement.

Below please find the principle terms of the Non-Convertible Preference Shares:

**Par value:** HK\$0.01 each

**No conversion:** The Non-Convertible Preference Shares are not convertible into Ordinary Shares.

**Purchase:** The Non-Convertible Preference Shares are perpetual and have no maturity date. The Non-Convertible Preference Shares are redeemable at the Subscription Price at the Company's request, but not redeemable at the option of the holder(s) of the Non-Convertible Preference Shares and the holder(s) of the Non-Convertible Preference Shares do not have the right to put back the Non-Convertible Preference Shares to the Company.

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- Dividend:** Each holder of the Non-Convertible Preference Shares shall have the right to receive out of the profits of the Company available for distribution and resolved to be distributed a fixed cumulative preferential cash dividend (“**Preferred Dividend**”) at the rate of 3.6 per cent per annum (“**Dividend Rate**”) on the Relevant Amount payable annually in arrears, such dividend to accrue with respect to each Non-Convertible Preference Share from the date on which such share is issued.
- The Board may, in its sole discretion, elect to defer or not pay the Preferred Dividend to holder of the Non-Convertible Preference Shares in whole or in part, and in such event, no interest shall be accrued on any unpaid Preferred Dividend, and irrespective of whether dividend in respect of Ordinary Shares is paid or not, accrued or deferred.
- The Company shall pay the Preferred Dividend subject to the requirements under the memorandum and articles of association of the Company and the relevant laws and regulations of the Cayman Islands. The Preferred Dividend shall start to accrue on the Non-Convertible Preference Share from the date of allotment and issuance of the relevant Non-Convertible Preference Share.
- Distribution of assets:** Holder(s) of the Non-Convertible Preference Shares will have priority over the Shareholders on the assets and funds of the Company available for distribution upon occurrence of the Relevant Event.
- Voting:** Holder(s) of the Non-Convertible Preference Shares will be entitled to receive notices of and to attend the general meetings of the Company but is not permitted to vote unless a resolution is proposed to vary the rights of the Non-Convertible Preference Shares or a resolution is proposed for the winding up of the Company.
- Listing:** The Non-Convertible Preference Shares will not be listed on the Stock Exchange or any other securities exchange.

**Transferability:** The Non-Convertible Preference Shares may be transferrable, in whole or in part, to any third party (including connected person of the Company) subject to compliance with the conditions of the articles of association of the Company and the conditions, approvals, requirements and any other provisions of or under the Listing Rules (including any approval(s) that may be required from the Stock Exchange in case the preferred shares is transferred to a connected person of the Company), and all applicable laws and regulations.

#### *4.2 Evaluation of the Dividend Rate of the Non-Convertible Preference Shares*

We have discussed and understand from the Management that in determining the terms and structure of the Non-Convertible Preference Shares, including the Dividend Rate, the Company has also considered, among other things, the recent issuances of perpetual securities for cash by companies listed on the Main Board of the Stock Exchange.

We agree that although the names of the instruments may differ and certain instruments may be listed, fund-raising through the issue of non-convertible preference shares, perpetual securities and in the Company's case, the Non-Convertible Preference Shares, are considered to be comparable since they can allow the issuer to raise new funds by paying a return (i.e. interest) like issuing debts, but without increasing its gearing level and are perpetual in nature and non-convertible into ordinary shares.

As such, to assess the fairness and reasonableness of the key terms of the Non-convertible Preference Shares including the Dividend Rate, we have conducted our independent research of based on comparable analysis through identifying issuances of perpetual non-convertible preference shares and perpetual securities for cash by companies listed on the Main Board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring), which have been announced with details on the terms of the instruments by way of announcement(s) published during the period from 1 January 2021 up to and including the Latest Practicable Date ("**Review Period**"). We would consider the review period chosen to be fair and reasonable as it reflects the prevailing market environment. Based on the aforementioned criteria, on a best effort basis, we have noted and reviewed 4 relevant issues (together as the "**Comparable Issues**").

Notwithstanding that the subject companies constituting the Comparable Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and different reasons for their respective fund raising activities, we would still consider, in light of our selection criteria, capturing recent issues of perpetual non-convertible preference shares by listed companies under similar market conditions and

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sentiments can provide Shareholders with a broad perspective of recent market trend of this type of transaction which is similar to that of the issuance of Non-convertible Preference Shares proposed by the Company in the Hong Kong equity capital market. Based on the aforementioned criteria, we consider the Comparable Issues identified to be exhaustive.

No.	Date of Announcement	Company	Stock Code	Nature of Issue	Size of Issuance	Initial Distribution Rate (per annum)	Reset Rate	Possible Minimum Reset Rate	Listed/Unlisted
1	24 February 2021	ESR Cayman Limited	1821	Perpetual securities	US\$200,000,000	5.65%	6.73% + prevailing 5-year SGD Swap Offer Rate	6.73%	Listed
2	24 May 2021	ESR Cayman Limited	1821	Perpetual securities	US\$150,000,000	5.65%	6.73% + prevailing 5-year SGD Swap Offer Rate	6.73%	Listed
3	2 June 2021	China State Construction International Holdings Limited	3311	Perpetual securities	US\$500,000,000	3.40%	5.581% + the treasury rate	5.581%	Listed
4	16 June 2021	China Industrial Securities International Financial Group Limited	6058	Perpetual securities	HK\$1,000,000,000	1.58%	Hong Kong Inter-bank Offered Rate + 1.50%	1.50%	Not indicated
					<b>Maximum</b>	5.65%			
					<b>Minimum</b>	1.58%			
					<b>Average</b>	4.07%			
		<b>The Company</b>			HK\$333,500,000	3.60%			

As shown in the table above, the initial distribution rate to be paid by the issuers of the respective Comparable Issue ranges from approximately 1.58% to approximately 5.65% with an average of approximately 4.07%. The Dividend Rate is within the range and below the average of the distribution rates of the Comparable Issues and is accordingly considered as favourable to the Company.

In addition, we have also assessed the Dividend Rate in light of the potential financing costs of the Group. We noted from page 212 of Annual Report 2020 that, at 31 December 2020, the bank loans of the Group were interest-bearing at one year Loan Prime Rate published by the People's Bank of China ("**RMB Loan Prime Rate**") plus 1.2% to 2.125% per annum. Given the RMB Loan Prime Rate is 3.85% as at the Latest Practicable Date, the interest rates charged on the Group's borrowings would then be in the range of 5.05% and 5.975% as at 31 December 2020.

We further noted from page 14 of Interim Report 2021 that, as at 30 June 2021, the rates for bank loans of the Group slightly adjusted to RMB Loan Prime Rate plus 1.2% to 1.95% per annum. Given the RMB Loan Prime Rate is 3.85% as at the Latest Practicable Date, the interest rates charged on the Group's borrowings would then be in the range of 5.05% and 5.80% as at 30 June 2021.

As such, it is noted the Dividend Rate is well below the general financing cost of the Group and is accordingly considered as favourable to the Company.

#### ***4.3 Evaluation of the Other Terms***

Shareholders should note that, as provided in the terms of the Non-convertible Preference Shares, the holder(s) of the Non-Convertible Preference Shares will have priority over the Shareholders on the assets and funds of the Company available for distribution upon occurrence of the Relevant Event. Based on our review of the relevant announcements relating to the Comparable Issues, such preference in distribution over ordinary shares is considered common amongst the Comparable Issues. In addition, other major terms of the Non-Convertible Preference Shares such as issuer's option to redeem and limited voting rights are also similar to those of the Comparable Issues and therefore, are considered in line with the market.

Also, we note that the Board may, in its sole discretion, elect to defer or not pay the Preferred Dividend to holder of the Non-Convertible Preference Shares in whole or in part, and in such event, no interest shall be accrued on any unpaid Preferred Dividend, and irrespective of whether dividend in respect of Ordinary Shares is paid or not, accrued or deferred, and we consider such payment term is favourable to the Company.

In light of the above, we are of the view that key terms of the Subscription Agreement and the Non-Convertible Preference Shares, including the Dividend Rate, are fair and reasonable and in line with the general market.

### **5. Impact on shareholding structure and financial position/results of the Company**

The Non-Convertible Preference Shares do not bear any voting rights and are not convertible into Ordinary Shares and hence, the Issuance will not affect the holdings of the Ordinary Shareholders.

As disclosed in the Interim Report 2021, the Group had cash and cash equivalents of approximately RMB366.31 million as at 31 December 2020 and approximately RMB407.68 million as at 30 June 2021. As disclosed in the Letter, net proceeds (after deducting of all relevant expenses incidental to the Subscription) to be received by the Company from the issue of the Non-Convertible Preference Shares is approximately RMB333.00 million. Immediately upon completion of the Subscription, it is expected that the cash position of the Group will be enhanced with the amount of net proceeds of the Issuance to be received by the Company.

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Immediately upon completion of the Subscription, it is expected that net assets of the Group will also be enhanced as the Issuance will be accounted for as equity in the consolidated accounts of the Group and, accordingly, the Group's gearing ratio of approximately 26.3% as at 30 June 2021 is expected to decrease immediately after completion of the Subscription to 20.9%.

On the above basis, the Directors consider, and we concur that the financial position of the Group is expected to be strengthened after completion of the Subscription.

It should be noted that the aforementioned analysis is for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be upon completion of the Subscription.

### **6. Conclusion**

Having considered, in particular:

- (i) the Subscription can provide new funding for the Group's business operations without jeopardising its gearing level;
- (ii) the Subscription is considered one of the most appropriate and efficient means for the Group to raise funds among other fund-raising alternatives for the moment;
- (iii) the fact that the key features of the Non-convertible Preference Shares, including but not limited to the Dividend Rate, are fair and reasonable and is in line with the market; and
- (iv) the Subscription is expected to improve, in particular, the working capital and the gearing position of the Group upon completion of the Subscription,

we are of the view that the terms of the Subscription Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### **RECOMMENDATION**

Having taken into account the above principal factors and reasons, we consider that, though the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole and are justifiable, fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolutions at the EGM to approve the entering into the Subscription Agreement and the transaction contemplated thereunder.

Yours faithfully  
For and on behalf of  
**Euto Capital Partners Limited**  
**Carfield Tang**  
*Assistant Director*

Yours faithfully  
For and on behalf of  
**Euto Capital Partners Limited**  
**Manfred Shiu**  
*Director*

With a view to incorporate the terms of the Non-Convertible Preference Shares, the Board proposes the Proposed Amendments. A special resolution will be proposed at the EGM to approve the Proposed Amendments.

Details of the Proposed Amendments (marked up against the existing M&A) are set out below:

#### GENERAL AMENDMENTS

Replacing all references to the term “The Companies Law (Revised) of the Cayman Islands” with “The Companies Act (2021 Revision) of the Cayman Islands”.

#### SPECIFIC AMENDMENTS

	Currently in force	Proposed to be amended as
Memorandum number	Memorandum of association	
7	The authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 shares of a par value of HK\$0.01 each, with the power for the Company to increase or reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.	The authorised share capital of the Company is HK\$20,000,000 divided into (i) <u>1,400,000,000 ordinary shares of a par value of HK\$0.01 each;</u> and (ii) <u>600,000,000 preferred shares of a par value of HK\$0.01 each,</u> with the power for the Company to increase or reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.

	Currently in force	Proposed to be amended as
Article number	Articles of association	
1(b)	“Share means a share in the share capital of the Company and includes stock except where a distinction between stock and Shares is expressed or implied”	“Share means a share in the share capital of the Company, <u>including the Ordinary Shares and the Preferred Shares,</u> and includes stock except where a distinction between stock and Shares is expressed or implied”
5(a)	“If at any time the share capital of the Company is divided into different classes of Shares, all or any of the special rights attached to any class (unless otherwise provided for by the terms of the issue of the Shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with writing of the holders of not less than three-quarters in nominal value of the issued Shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the Shares of that class...”	“If at any time the share capital of the Company is divided into different classes of Shares, all or any of the special rights attached to any class (unless otherwise provided for by the terms of the issue of the Shares of that class) may, subject to the provisions of the <u>Companies Act and the Schedule to these Articles,</u> be varied or abrogated either with writing of the holders of not less than three-quarters in nominal value of the issued Shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the Shares of that class...”
6	“The authorised share capital of the Company on the date of the adoption of these Articles is HK\$20,000,000 divided into 2,000,000,000 shares of a par value of HK\$0.01 each.”	“The authorised share capital of the Company is HK\$20,000,000 divided into (i) <u>1,400,000,000 Ordinary Shares of a par value of HK\$0.01 each;</u> and (ii) <u>600,000,000 Preferred Shares of par value of HK\$0.01 each.</u> ”

	Currently in force	Proposed to be amended as
Article number	Articles of association	
15(c)	“Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all Shareholders alike.”	“ <u>Subject to the Schedule to these Articles</u> , where the Company purchases for redemption— <del>of</del> a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all Shareholders alike.”
79	“Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of Shares, at any general meeting on a poll every Shareholder present in person...”	“Subject to <u>the Schedule to these Articles and</u> any special rights, privileges or restrictions as to voting for <u>the time being</u> <del>the</del> attached to any class or classes of Shares, at any general meeting on a poll every Shareholder present in person...”
156(a)	“The Board may subject to Article 157 from time to time pay to the Shareholders such interim Dividends as appear to the Board to be justified by the financial conditions and the profits of the Company and, in particular but without prejudice to the generality of the foregoing...”	“The Board may subject to Article 157 <u>and the Schedule to these Articles</u> , from time to time pay to the Shareholders such interim Dividends as appear to the Board to be justified by the financial conditions and the profits of the Company and, in particular but without prejudice to the generality of the foregoing...”
156(c)	“The Board may in addition from time to time declare and pay special Dividends of such amounts and on such dates and out of such distributable funds of the Company as it thinks fit...”	“ <u>Subject to the Schedule to these Articles</u> , <u>the</u> Board may in addition from time to time declare and pay special Dividends of such amounts and on such dates and out of such distributable funds of the Company as it thinks fit...”
157(a)	“No Dividend shall be declared or paid or shall be made otherwise than in accordance with the Companies Law.”	“No Dividend shall be declared or paid or shall be made otherwise than in accordance with the <u>Companies Act and these Articles</u> .”

	Currently in force	Proposed to be amended as
Article number	Articles of association	
157(b)	“Subject to the provisions of the Companies Law but without prejudice to paragraph (a) of this Article, where any asset, business or property is bought by the Company from a past date...”	“Subject to the provisions of the <u>Companies Act</u> but without prejudice to paragraph (a) of this Article <u>and the Schedule to these Articles</u> , where any asset, business or property is bought by the Company from a past date...”
162	“The Board may, before recommending any Dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve...”	“ <u>Subject to the Schedule to these Articles</u> , the Board may, before recommending any Dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve...”
169	“All Dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared by the Company until claimed...”	“ <u>Subject to the Schedule to these Articles</u> , all Dividends, bonuses or other distributions or the proceeds of <u>the realisation</u> , any of the foregoing unclaimed for one year after having been declared by the Company until claimed...”

Including the definitions in the articles of association of the Company:

- “Ordinary Shares means the ordinary shares of par value HK\$0.01 each in the share capital of the Company”; and
- “Preferred Shares means the non-convertible preferred shares of par value HK\$0.01 each in the share capital of the Company, the terms of which are set out in the Schedule of these Articles”.

**Schedule****1. Definitions**

Notwithstanding anything contrary to the provisions of the Memorandum and Articles of Association, for the purpose of this Schedule the following terms shall have the following meanings:

“Group”	the Company and its subsidiaries from time to time and “ <b>member of the Group</b> ” shall be construed accordingly;
“Relevant Amount”	means HK\$1.15 in respect of each Preferred Share, being HK\$333.5 million divided by 290,000,000 Preferred Shares; and the aggregate Relevant Amount means HK\$333.5 million;
“Relevant Event”	means any liquidation, winding-up or dissolution of the Company, whether voluntary or involuntary; or a sale of all or substantially all of the Group’s assets;
“Shareholder”	means each person entered in the register of members of the Company as the registered holder of shares in the share capital of the Company and includes a registered holder of Ordinary Shares and/or Preferred Shares;

**2. As regards income**

- 2.1 So long as the Company has not redeemed all of its Preferred Shares pursuant to Clause 5.1 of this Schedule, each Preferred Share shall confer on the holder thereof the right to receive out of the profits of the Company available for distribution and resolved to be distributed a fixed cumulative preferential cash dividend (“**Preferred Dividend**”) at the rate of 3.6 per cent per annum on the Relevant Amount payable annually in arrear. The distribution of the Preferred Dividend shall be subject to annual review by the Board. Such dividend shall accrue with respect to each Preferred Share from the date on which such share is issued and shall be payable in cash to its holder(s) within 90 calendar days after the end of each financial year of the Company.
- 2.2 The Board may within 90 calendar days after the end of each financial year of the Company, in its sole discretion, elect to defer or not pay the Preferred Dividend, in whole or in part, and in such event, no interest shall be accrued on any unpaid Preferred Dividend, and irrespective of whether dividend in respect of Ordinary Shares is paid or not, accrued or deferred. To the extent that any Preferred Dividend that are deferred in the previous year(s), such amount shall accumulate and payable together with the Preferred Dividend to the holders of the Preferred Shares in the year which the Board elects neither defer nor not pay the Preferred Dividend. For the avoidance of doubt, (i) there shall not be any limitation to the

amount of cumulative Preferred Dividend; and (ii) any Preferred Dividend which the Board elects not to pay shall be cancelled and shall not accumulate to the Preferred Dividend payable in the forthcoming year(s) (if any).

- 2.3 The Company shall pay the Preferred Dividend subject to the requirements under the Memorandum and Articles of Association (as amended from time to time) and the relevant laws and regulations of the Cayman Islands.

**3. *As regards capital***

- 3.1 Upon the occurrence of a Relevant Event, the assets and funds of the Company available for distribution among the Shareholders shall, subject to applicable laws, be applied in the following order of priority:

- (a) First, prior to any distribution to the holders of the Ordinary Shares, to the holders of the Preferred Shares, the Relevant Amount per Preferred Share together with the amount of any arrears of accrued or declared but unpaid dividends in respect of such shares.
- (b) If the assets and funds of the Company available for distribution shall be insufficient to provide for full payment to the holders of the Preferred Shares in accordance with this Clause 3.1(a), the Company shall make payment on the Preferred Shares on a pro-rata basis.

**4. *As regards voting***

Subject to any rights or restrictions for the time being attached to any class or classes of shares, every Shareholder who is the holder of Preferred Shares shall be entitled to receive notices of and to attend general meetings of the Company, but each of them shall not have any right to vote at the general meetings of the Company unless a resolution is proposed as such general meeting to vary the rights of the Preferred Shares or to wind up the Company, and in such event, each holder of the Preferred Shares present in person or by proxy or (in the case of a corporation) by representative at a general meeting shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, one vote for each Preferred Share.

**5. *As regards redemption***

- 5.1 *Redemption by the Company.* The Preferred Shares are perpetual and have no maturity date. The Company may, at any time, by notice in writing to the holder of Preferred Shares, request to redeem all or any of its Preferred Shares on a date to be notified by the Company, being a date not earlier than 7 business days after the date of receipt of such notice by the holder of Preferred Shares (“**Redemption Date**”).

5.2 *Redemption Price.* Such Preferred Shares shall be redeemed at a price (“**Redemption Price**”) equal to the sum of the Relevant Amount. For the avoidance of doubt, the Redemption Price shall not include any deferred and/or unpaid Preferred Dividend.

5.3 *Non-redeemable by holder of the Preferred Share.* The Preferred Shares are not redeemable at the option of the holder of the Preferred Shares, and the holder of the Preferred Shares do not have the right to put back the Preferred Shares to the Company or any other member of the Group.

**6. As regards transferability**

6.1 *Transferable Preferred Shares.* The Preferred Shares may be transferrable, in whole or in part, to any third party (including connected person of the Company as defined under the Listing Rules) subject to compliance with the conditions of the Memorandum and Articles of Association (as amended from time to time) and the conditions, approvals, requirements and any other provisions of or under the Listing Rules (including any approval(s) that may be required from the HK Stock Exchange in case the Preferred Shares is transferred to a connected person of the Company), and all applicable laws and regulations.

Save for the Proposed Amendments set out above, the existing M&A will remain unchanged.

The Chinese translation of the Proposed Amendments set out in the Chinese version of the explanatory statement in this circular is for your reference only. In the case of any discrepancy or inconsistency between the English and the Chinese versions, the English version shall prevail.

The Proposed Amendments are subject to the approval of the Shareholders by way of special resolution at the EGM.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests or short positions in the Ordinary Shares, the Non-Convertible Preference Shares, underlying Ordinary Shares, underlying Non-Convertible Preference Shares and debentures of the Company and its associated corporations

Based on the register kept by the Company, as at the Latest Practicable Date, the interests or short positions of each Directors or chief executive of the Company in the Ordinary Shares, the Non-Convertible Preference Shares, underlying Ordinary Shares, underlying Non-Convertible Preference Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), 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 or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules, were as follows:

*Long positions in the Ordinary Shares, the Non-Convertible Preference Shares, underlying Ordinary Shares and underlying Non-Convertible Preference Shares*

Name of Directors	Nature of interests	Number of Ordinary Shares/ Shares/ underlying Ordinary Shares held or interested in	Approximate % <sup>(5)</sup>	Number of Non-Convertible Preference Shares/ underlying Non-Convertible Preference Shares held or interested in	Approximate %
Mr. Wong Ting Chung <sup>(1)(3)</sup>	Beneficiary of a trust	562,500,000	75.0%	290,000,000	100.0%
	Beneficial owner	3,000,000	0.4%	—	—
Mr. Lau Ka Keung <sup>(2)(3)</sup>	Interest of spouse	562,500,000	75.0%	290,000,000	100.0%
	Beneficial owner	3,000,000	0.4%	—	—
Mr. Ip Shu Kwan, Stephen <sup>(4)</sup>	Beneficial owner	1,500,000	0.2%	—	—
Mr. Li Yinquan <sup>(4)</sup>	Beneficial owner	1,500,000	0.2%	—	—
Dr. Wu Wing Kuen <sup>(4)</sup>	Beneficial owner	1,500,000	0.2%	—	—

*Notes:*

1. *Mr. Wong Ting Chung is the settlor, the protector and one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the (i) Ordinary Shares held by the Happy Family Trust; and (ii) Non-Convertible Preference Shares to be held by the Happy Family Trust upon Completion under the SFO.*
2. *Mr. Lau Ka Keung is the spouse of Ms. Wong Wai Ling, who is one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the (i) Ordinary Shares held by the Happy Family Trust; and (ii) Non-Convertible Preference Shares to be held by the Happy Family Trust upon Completion under the SFO.*
3. *Each of Mr. Wong Ting Chung and Mr. Lau Ka Keung has a beneficial interest in the share options granted to each of them on 29 March 2019 under the share option scheme of the Company and which, if exercised in full, would result in the issuance of 3,000,000 Ordinary Shares to each of them.*
4. *Each of Mr. Ip Shu Kwan, Stephen, Mr. Li Yinquan and Dr. Wu Wing Kuen, has a beneficial interest in the share options granted to each of them on 29 March 2019 under the share option scheme of the Company and which, if exercised in full, would result in the issuance of 1,500,000 Ordinary Shares to each of them.*
5. *The calculation is based on the total number of issued Ordinary Shares of 750,000,000 as at the Latest Practicable Date.*

Save as disclosed above, as at the Latest Practicable Date none of the Directors or chief executive of the Company had any interests or short positions in the Ordinary Shares, the Non-Convertible Preference Shares, underlying Ordinary Shares, underlying Non-Convertible Preference Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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, or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the SFC under the Model Code.

**(b) Substantial Shareholders and other persons' interests in Ordinary Shares, the Non-Convertible Preference Shares, underlying Ordinary Shares and underlying Non-Convertible Preference Shares**

Based on the register kept by the Company, as at the Latest Practicable Date, so far as known to the Directors or chief executive of the Company, the following persons or corporations (other than Directors or chief executive of the Company) who had interests and/or short positions in the Ordinary Shares, the Non-Convertible Preference Shares, underlying Ordinary Shares or underlying Non-Convertible Preference Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follow:

*Long positions in Ordinary Shares, the Non-Convertible Preference Shares, underlying Ordinary Shares and underlying Non-Convertible Preference Shares*

Name of person	Nature of interest	Number of Ordinary Shares/ underlying Ordinary Shares held or interested in	Approximate % <sup>(8)</sup>	Number of Non-Convertible Preference Shares/ underlying Non-Convertible Preference Shares held or interested in	Approximate %
Fortune Speed <sup>(1)</sup>	Beneficial owner	562,500,000	75.0%	290,000,000	100.0%
Winnermax Management Limited <sup>(1)</sup>	Interest in a controlled corporation	562,500,000	75.0%	290,000,000	100.0%
Happy Family Assets Limited <sup>(1)</sup>	Interest in a controlled corporation	562,500,000	75.0%	290,000,000	100.0%
East Asia International Trustees Limited <sup>(1)</sup>	Trustee of a trust	562,500,000	75.0%	290,000,000	100.0%
Ms. Wang Kam Chu <sup>(2)</sup>	Interest of spouse	565,500,000	75.4%	290,000,000	100.0%
Ms. Wong Wai Ling <sup>(3)</sup>	Beneficiary of a trust	562,500,000	75.0%	290,000,000	100.0%
	Interest of spouse	3,000,000	0.4%	—	—
Mr. Wong Ting Kau <sup>(4)</sup>	Beneficiary of a trust	562,500,000	75.0%	290,000,000	100.0%
Mr. Wong Ting Chun <sup>(5)</sup>	Beneficiary of a trust	562,500,000	75.0%	290,000,000	100.0%
Ms. Chan Ka Wai <sup>(6)</sup>	Interest of spouse	562,500,000	75.0%	290,000,000	100.0%
Ms. Tsoi Suet Ngai <sup>(7)</sup>	Interest of spouse	562,500,000	75.0%	290,000,000	100.0%

*Notes:*

- Fortune Speed is a company wholly owned by Winnermax Management Limited, which is in turn wholly owned by Happy Family Assets Limited, a company wholly owned by East Asia International Trustees Limited. East Asia International Trustees Limited is the trustee of Happy Family Trust, a trust established by Mr. Wong Ting Chung as the settlor. Accordingly, each of Happy Family Assets Limited, East Asia International Trustees Limited and Winnermax Management Limited, is deemed to be interested in the (i) Ordinary Shares held by Fortune Speed; and (ii) Non-Convertible Preference Shares to be held by Fortune Speed upon Completion under the SFO.*

2. *Ms. Wang Kam Chu is the spouse of Mr. Wong Ting Chung and is therefore deemed to be interested in the (i) Ordinary Shares held, directly or indirectly, by Mr. Wong Ting Chung; and (ii) Non-Convertible Preference Shares to be held, directly or indirectly, by Mr. Wong Ting Chung upon Completion under the SFO.*
3. *Ms. Wong Wai Ling, sister of Mr. Wong Ting Chung, is one of the beneficiaries of the Happy Family Trust and therefore she is deemed to be interested in the (i) Ordinary Shares held by the Happy Family Trust; and (ii) Non-Convertible Preference Shares to be held by the Happy Family Trust upon Completion under the SFO. Ms. Wong Wai Ling is also the spouse of Mr. Lau Ka Keung and is therefore deemed to be interested in the Ordinary Shares held by Mr. Lau Ka Keung.*
4. *Mr. Wong Ting Kau, brother of Mr. Wong Ting Chung, is one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the (i) Ordinary Shares held by the Happy Family Trust; and (ii) Non-Convertible Preference Shares to be held by the Happy Family Trust upon Completion under the SFO.*
5. *Mr. Wong Ting Chun, brother of Mr. Wong Ting Chung, is one of the beneficiaries of the Happy Family Trust and therefore he is deemed to be interested in the (i) Ordinary Shares held by the Happy Family Trust; and (ii) Non-Convertible Preference Shares to be held by the Happy Family Trust upon Completion under the SFO.*
6. *Ms. Chan Ka Wai is the spouse of Mr. Wong Ting Kau and is therefore deemed to be interested in the (i) Ordinary Shares held, directly or indirectly, by Mr. Wong Ting Kau; and (ii) Non-Convertible Preference Shares to be held, directly or indirectly, by Mr. Wong Ting Kau upon Completion under the SFO.*
7. *Ms. Tsoi Suet Ngai is the spouse of Mr. Wong Ting Chun and is therefore deemed to be interested in the (i) Ordinary Shares held, directly or indirectly, by Mr. Wong Ting Chun; and (ii) Non-Convertible Preference Shares to be held, directly or indirectly, by Mr. Wong Ting Chun upon Completion under the SFO.*
8. *The calculation is based on the total number of issued Ordinary Shares of 750,000,000 as at the Latest Practicable Date.*

As at the Latest Practicable Date, none of the Directors was a director or an employee of a company who had interests or short positions in the Ordinary Shares, the Non-Convertible Preference Shares, underlying Ordinary Shares, underlying Non-Convertible Preference Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company was not notified by any persons (other than Directors or chief executive of the Company as discussed above) who had interests or short positions in the Ordinary Shares, the Non-Convertible Preference Shares, underlying Ordinary Shares, underlying Non-Convertible Preference Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

### 3. COMPETING INTEREST

So far as the Directors are aware, none of the Directors or their respective close associates had interest in any business which compete or is likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any service agreements proposed which would expire or be determinable by the members of the Group within one year without payment of compensation.

#### 5. DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS

As at the Latest Practicable Date, save as the Subscription Agreement and the transactions contemplated thereunder,

- (i) there was no contract or arrangement entered into by any member of the Group subsisting in which any Director was materially interested and which was significant in relation to any business of the Group; and
- (ii) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2020 (being the date to which the latest published audited 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.

#### 6. QUALIFICATION AND CONSENT OF EXPERT

- (a) The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

<b>Name</b>	<b>Qualification</b>
Euto Capital Partners Limited	Licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, the above expert had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.
- (c) As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2020 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased to any member of the Group.
- (d) As at the Latest Practicable Date, the above expert had given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports or letter or its name and logo in the form and context in which it appear.

## 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

## 8. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

## 9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the loan agreement dated 30 April 2020 and entered into between Huizhou Chuangwei Huifu Real Estate Co., Ltd.\* (惠州創偉匯富置業有限公司), an indirect wholly-owned subsidiary of the Company, as lender, Longmen County Yonghan Town Economic Development Company\* (龍門縣永漢鎮經濟發展公司), as the borrower, and The People's government of Yonghan Town, Longmen County, Huizhou City of the PRC, an Independent Third Party at a principal amount of RMB50.0 million;
- (b) the loan agreement dated 14 September 2020 and entered into between Huizhou Million Cities Corporate Management Company Limited\* (惠州萬城企業管理策劃有限公司) ("**Huizhou Million Cities**"), an indirect wholly-owned subsidiary of the Company, as the lender, and Shenzhen Longguang Real Estate Company Limited\* (深圳市龍光房地產有限公司) ("**Shenzhen Longguang**"), an Independent Third Party, as the borrower at a principal amount of RMB158.8 million;
- (c) the equity transfer agreement entered into between (i) Huizhou Million Cities; (ii) Shenzhen Longguang; and (iii) Huizhou Longguang Junhong Real Estate Company Limited\* (惠州市龍光駿宏房地產有限公司, the "**Project Company**"), a wholly-owned subsidiary of Shenzhen Longguang, on 12 October 2020, pursuant to which the borrower (in (b) above) agreed to sell and the lender (in (b) above) agreed to acquire 30% equity interest in the Project Company at the consideration of approximately RMB158.8 million;

- (d) the counter-guarantee agreement dated 10 May 2021 and entered into between the Company, as the counter-guarantor, and Logan Group Company Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange (stock code: 3380) (“Logan”), an Independent Third Party, as the guarantor of the Project Company (as at the date of the counter-guarantee agreement, owned as to (i) 70% by Shenzhen Longguang; and (ii) 30% by Huizhou Million Cities, an indirect wholly-owned subsidiary of the Company), where the Group shall provide the counter-guarantee to Logan in proportion to the Group’s respective equity interest in the Project Company (i.e. 30%) in respect of a loan agreement dated 17 March 2021 and entered into between the Project Company, as the borrower and the Shenzhen Branch of The Bank of East Asia (China) Limited, an Independent Third Party, as the lender at a principal amount of RMB420 million; and
- (e) the Subscription Agreement.

## 10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.millioncities.com.cn>) for 14 days from the date of this circular:

- (a) the existing M&A;
- (b) the letter from the Independent Financial Adviser, the text of which is set out from pages 20 to 38 of this circular;
- (c) the written consent referred to in the section headed “6. Qualification and consent of expert” in this appendix;
- (d) the Subscription Agreement; and
- (e) this circular.

## 11. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Li Wa Tat Benedict, who is a fellow of The Association of Chartered Certified Accountants, an associate of each of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is situated at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

- (c) The head office and principal place of business of the Company in Hong Kong is at Unit D, 21/F., Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong.
- (d) The principal share registrar of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (e) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (f) The English text of this circular shall prevail over its Chinese text.

The health of the Shareholders, staff and stakeholders of the Company is of paramount importance to the Company. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders of the Company from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) The Company encourages each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (iii) No refreshment will be served, and there will be no corporate gift.
- (iv) Each attendee may be asked whether (a) he/she travelled outside of Hong Kong within 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

In addition, the Company reminds all Shareholders that attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and returning the proxy form attached to this circular.

If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter to communicate with the Board, he/she is welcome to send such question or matter in writing to our registered office or to our email at [ir@millioncities.com.hk](mailto:ir@millioncities.com.hk).

If any Shareholder has any question relating to the meeting, please contact Computershare Hong Kong Investor Services Limited, the Company's share registrar. Contact information is as follows:

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)  
Tel: 2862 8555  
Fax: 2865 0990

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## NOTICE OF EGM

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萬城  
MILLION CITIES

# 萬城控股有限公司 MILLION CITIES HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2892)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of Million Cities Holdings Limited (the “**Company**”) will be held at Lion Rock, 6/F, Sha Tin Clubhouse, The Hong Kong Jockey Club, Sha Tin, New Territories, Hong Kong on Thursday, 18 November 2021 at 10:30 a.m. to consider and, if thought fit, pass the following ordinary resolutions (with or without modification) and special resolution:

Capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 28 October 2021 to the Shareholders (the “**Circular**”) unless otherwise specified.

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Subscription Agreement (a copy of the Subscription Agreement marked “**A**” and signed by the chairman of this meeting for identification purpose is produced to this meeting) and all transactions contemplated thereunder and in connection therewith and any other agreements or documents in connection therewith be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorised for and on behalf of the Company to do all such acts, deeds and things and to sign, execute and deliver all such documents (including the affixation of the common seal of the Company where required) as he may, in his absolute discretion, consider necessary, desirable or appropriate to give effect, implement and complete any matters relating to or in connection with paragraph (a) of this resolution no. 1.”

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## NOTICE OF EGM

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2. “**THAT** subject to and conditional upon the passing of the ordinary resolution no. 1 in this notice,
- (a) the grant of a specific mandate to the Directors with the power and authority to allot and issue the Non-Convertible Preference Shares in accordance with the terms and conditions of the Subscription Agreement be and are hereby approved; and
  - (b) any one Director be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company as he may consider necessary, desirable or appropriate in connection with paragraph (a) of this resolution no. 2.”

### SPECIAL RESOLUTION

3. “**THAT:**
- (a) the Proposed Amendments as set out in Appendix I to the Circular be approved; and
  - (b) subject to the passing of resolution no. 3(a) above, the adoption of an amended and restated M&A (incorporating amendments stated in the resolution no. 3(a) above, a copy of which has been produced to this meeting and marked “**B**” and signed by the chairman of this meeting for identification purpose is produced to this meeting) in substitution for and to the exclusion of the existing M&A with immediate effect after the close of this meeting be and is hereby approved and that the Directors be and are hereby authorised to do all things necessary to implement the adoption of the amended and restated M&A.”

By order of the Board  
**Million Cities Holdings Limited**  
**Wong Ting Chung**  
*Chairman and executive Director*

Hong Kong. 28 October 2021

*Registered office:*  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*  
Unit D, 21/F., Block 1  
Tai Ping Industrial Centre  
57 Ting Kok Road  
Tai Po, New Territories, Hong Kong

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## NOTICE OF EGM

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### Notes:

1. For the purpose of determining the eligibility of the shareholders of the Company to attend and vote at the EGM, the register of members of the Company will be closed from 15 November 2021 to 18 November 2021, both days inclusive. During such period, no transfer of the Ordinary Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 12 November 2021.
2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his or her proxy to attend and vote on behalf of him or her. A Shareholder who is the holder of two or more Ordinary Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder.
3. Where there are joint registered Shareholders, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Ordinary Shares as if he or she was solely entitled to do so. However, if more than one of such joint Shareholders be present at any meeting personally or by proxy, the joint holder whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect of such joint holding.
4. In order to be effective, the proxy form in prescribed form together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting no later than 10:30 a.m. on 16 November 2021 (Hong Kong time), or adjournment thereof.
5. If typhoon signal No. 8 or above, or a black rainstorm warning is in effect at 7:30 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on its website ([www.millioncities.com.cn](http://www.millioncities.com.cn)) and designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify Shareholders of the date, time and place of the rescheduled meeting.