CBG
CHINA BRILLIANT GLOBAL
朗華國際

CHINA BRILLIANT GLOBAL LIMITED
朗華國際集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8026)

CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO SHARE TRANSACTION PROPOSED ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

This announcement is made by the board (the "**Board**") of directors (the "**Directors**") of China Brilliant Global Limited (the "**Company**", together with its subsidiaries, the "**Group**"). Reference is made to the announcement of the Company dated 30 December 2024 in respect of the Acquisition (the "**Announcement**"). Unless otherwise defined, the terms used in this supplemental announcement shall have the same meaning as those defined in the Announcement.

The Company would like to clarify and supplement certain information contained in the Announcement as follows: –

DETAILS OF THE VALUATION REPORT

The scope of work performed by the Valuer includes pre-assessment work, on-site investigation, collection and collation of assessment materials, assessment and estimation work, and preparation of summary analysis and report.

The information relied upon by the Valuer is financial information provided by the Target Company and was independently verified by the Valuer to be in line with its investigations.

In determining the shareholders' total equity value of the Target Company, the Valuer has relied on key quantitative inputs extracted from the asset evaluation declaration form filled and submitted by the Target Company which sets out, among other things, the revenues and costs of the Target Company for the period of June to September 2024.

Analysis Process of the Valuation and the Application of Inputs

As the Target Company is a non-listed company, its market value could not be directly determined and major inputs such as risk return rate could not be directly calculated. In order to estimate the market value, operating risks and discount rate of the corporation, the valuer selected and analysed similar and comparable companies among PRC listed companies and determined the operating risks and discount rate of the Target Company. Criterion for selecting comparable companies in this Valuation:

1. comparable companies are profit-making in the recent years;

2. comparable companies have been listed for at least three years;

3. comparable companies only listed in the PRC and denominated in RMB;

4. Industry in which the comparable companies engaged in and their principal business are similar to those of the appraised corporation.

Based on the above principles, the Valuer selected the property management industry and the 6 listed companies below as the major comparable companies:

Stock Code	Stock name
000056.SZ	皇庭國際
001914.SZ	招商積餘
002188.SZ	中天服務
002968.SZ	新大正
300917.SZ	特發服務
603506.SH	南都物業

Revenue forecast covers operating business of the corporation such as property services etc. The basis of revenue forecast is based on the accounting statement as of September 2024 provided by the appraised corporation, and prepared by ways of consolidated analysis based on historical operating results, market environment and future development prospect and potential as well as strategic planning of the corporation.

For information on the future revenue forecast of the Target Company, necessary analysis, judgement and adjustment is performed, human resources, technology skills, capital structure, operating status, historical results and development trend of the appraised corporation is being consolidated and take into account the macro-economic factors, current status and development prospect of the industry engaged in, and reasonably determine assumptions of the Valuation to form a future revenue forecast. The consistency of operation management, business structure, principal business income, profit margin, operating capital, capital expenditure and major inputs, valuation assumption and value type of the future revenue profit is also considered.

The forecast on the future development is reached after validating that these forecasts are based on current operating conditions of the corporation, policy environment, market capacity, market share, domestic and overseas economic development condition, corporate development trend as well as various measures adopted by the corporation in response to the current and future conditions.

Terms of revenue under a corporate value valuation usually refers to the period of time which a corporate receive future revenue. As the appraised corporation is operating normally as at the Valuation Date, no limitation is set on the core asset's terms of use of the continuing operation of the corporation, terms of operation of the corporation and terms of ownership of the investors etc., which can be used on a on-going basis. As such, based on the characteristics, industry outlook and relevant regulations of the production operation of the corporation, this Valuation report's assumption is based on on-going basis after the Valuation Date and the corresponding terms of revenue is indefinite. As the recent revenue of the corporation can be reasonably projected, and the rationality of its long term revenue forecast is relatively low, in accordance with general valuation practice, professional asset valuer categorizes the corporation's terms of revenue into two phrases, i.e. detailed forecast period and post-detailed forecast period. In other words: value of operating business = value of detailed forecast period + value of post-detailed forecast period (final value). Upon consolidated analysis, the professional asset valuer determines 1 October 2024 to 31 December 2029 as the detailed forecast period, during which its revenue condition is determined to be in changes according to the operating condition and operating plan of the appraised corporation. From 1 January 2030 onwards is the on-going phrase, during which the appraised corporation is determined to remain at a stable profit-making level.

Set out below is the total value of shareholders' equity estimated based on all issued share capital of the Target Company.

Appraised corporation: Hong Kong Letu Holdings Limited (香港樂圖控股有限公司) *Amount unit: RMB0000'*

	Forecast Data						
Project/Year	**October to December 2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Stable Year**
I. Operating income	59.89	205.94	208.28	209.21	210.15	211.10	211.10
Less: Operating cost	11.16	95.56	98.24	99.16	100.10	101.04	101.04
Operating tax and levy	0.07	0.72	0.73	0.73	0.73	0.74	0.74
Sales fee	—	—	—	—	—	—	—
Management fee	1.50	6.00	6.00	6.00	6.00	6.00	6.00
Finance fee	0.02	0.08	0.08	0.08	0.08	0.08	0.08
II. Operating profit	47.14	103.58	103.23	103.23	103.24	103.25	103.25
Add: income other than operation	—	—	—	—	—	—	—
Less: cost other than operation	—	—	—	—	—	—	—
III. total profit	47.14	103.58	103.23	103.23	103.24	103.25	103.25
Less: income tax charges	2.36	5.18	5.16	5.16	5.16	5.16	5.16
IV. Net profit	44.78	98.41	98.06	98.07	98.08	98.08	98.08
Add: interest expense (after tax)	0.02	0.08	0.08	0.08	0.08	0.08	0.08
depreciation and amortization	—	—	—	—	—	—	—
Less: increase in operating capital	14.50	46.11	1.01	0.40	0.41	0.41	—
capital expenditure (additional capital)	—	—	—	—	—	—	—
V. Free cashflow	30.29	52.37	97.13	97.74	97.75	97.75	97.75
VI. Discount rate	9.78%	9.78%	9.78%	9.78%	9.78%	9.78%	9.78%
VII. Terms of discount	0.3	1.3	2.3	3.3	4.3	5.3	—
VIII. Coefficient of discount	0.97	0.89	0.81	0.74	0.67	0.61	6.24
IX. Discounted value of free cashflow	29.45	46.39	78.37	71.84	65.44	59.62	609.59
X. Operation value	960.70						
Add: surplus assets	—						
Add: non-operating net assets (liabilities)	8.19						
XI. Corporation value	968.89						
Less: interest-bearing liabilities	—						
XII. 100% equity value after discount	968.89						
XIII. 51% equity value after discount	494.13						

Key Specific Assumptions and Inputs Used in The Valuation

The table below summarizes the specific assumptions and inputs used in determining the forecasts.

Specific Assumptions or Inputs	Sources and Rationale
(i) Forecast on operating income/ Revenue growth rate	The income of the Target Company's principal business is mainly generated from its wholly-owned subsidiary, Letu Property, and categorized into: properties operating income and dormitory management income. Through corporate interview, it is noted that the operating income of Letu Property is mainly generated from the Property Management and Intelligent Property Technology Service Agreement entered into with Letu Optoelectronics, the agreement has taken effect. Letu Property was established in May 2024, according to the Property Management and Intelligent Property Technology Service Agreement, property management was charged at a rate of RMB1.15/square meters and the total land area was 86,118 square meters. As such, the monthly fixed property management fee is RMB99,035.7 and the property management income growth rate forecast is nil. The forecast on dormitory management income is calculated based on the expected number of park staffs multiply by a 3% annual growth rate.
(ii) Forecast on operating cost	As Letu Property has no carrying principal operating cost during June to September 2024, it is noted that from the interview, among the carrying operating cost, property operating cost mainly comprises of direct salary cost, and dormitory management cost refers to water and electricity bills paid. The forecast on operating cost is calculated based on the expected number of park staffs multiplying by a 3% annual growth rate.

(iii)	Forecast on tax and levy	Letu Property has no carrying tax and levy during June to September 2024. Forecast on tax and levy is calculated based on the tax payable under the forecasted VAT. Forecast on input VAT is calculated based on cost item such as direct material under operating cost during the forecast period with corresponding tax rate. Payable VAT refers to the difference between sales tax and input tax, also known as turnover tax, which is the basis of tax and levy calculation. On such basis, forecast on the urban maintenance and construction tax shall be 7% of turnover tax payable, forecast on the education levy shall be 3% of turnover tax payable, and forecast on local education levy shall be 2% of turnover tax payable. The forecasted annual growth rate of tax and levy is 0.5%.
(iv)	Forecast on management fee	Management fee of Letu Property mainly includes staff renumeration, social insurance fee and staff benefits, etc. During June to September 2024, carrying management fee of Letu Property amounted to RMB10,000, comprised of staff renumeration and social insurance. For changes on management fee related to operating income/operating cost, the forecast is calculated based on the ratio of such management fee to operating income/operating cost in the previous years and reasonable analysis. For changes on management fee not related to operating income/operating cost, the forecast is separately calculated based on the actual situation. According to the staff increment plan provided by the client, management fee shows no changes after entering into the stabilized period in 2025. The forecasted growth rate of management fee is nil.
(v)	Forecast on financial charges	Financial charges of Letu Property include interest income, interest expense and bank charges, etc. During June to September 2024, carrying financial charges of Letu Property amounted to RMB200, all under "other category". Interest expense includes borrowing interests and discounted interests, etc. Borrowing interests is determined based on the amount of interest-bearing debts as at Valuation Date of the company with corresponding interest rate. Discounted interests is determined based on the ratio of historical annual discounted interest expense to operating income. Forecast on other charges is calculated based on the historical annual ratio. The forecasted growth rate of financial charges is nil.

(vi)	Forecast on income tax charges	Corporate income tax of Letu Property is calculated based on its total profit and corresponding adjustment made pursuant to the State regulations and paid in accordance with the law. The abovementioned profit or loss forecast on income, cost and fee etc. is calculated based on the total profit and applicable corporate income tax charges. The forecast is calculated based on a 5% income tax rate currently applicable to Letu Property.
(vii)	Forecast on additional operating capital	Additional operating capital refers to the newly injected operating capital required to maintain the corporate's continuous operating ability without any changes to its current principal business. The situation is confirmed. Based on the business status of the corporate and product lifecycle, this Valuation, on comprehensive consideration, concludes that the minimum retaining cash amounted to 3 months cost in cash. It is expected that additional operating capital will be required in 2025 and no additional operating capital will be required afterwards. The Target Company shall achieve self-sufficiency.
(viii)	Discount rate	1. *Calculation of equity-to-capital cost*

Equity-to-capital cost of the appraised corporation is arrived after applying the inputs confirmed above to the equity-capital cost formula.

$$K_e = R_f + \beta \times MRP + R_c$$
$$= 11.17\%$$

In the formula: K_e: equity-to-capital cost
R_f: risk-free yield
β: equity system risk coefficient
MRP: market risk surplus
R_c: corporate specific risk adjustment input

(1) Selection of risk-free yield

As the possibility of not being redeemable upon maturity is minimal and can be omitted, yield of state bond is usually considered as risk-free.

Yield of state bond with a maturity of 5 years above as determined by the choice system is 1.8388%, as such, this Valuation report adopted 1.8388% as the risk-free yield.

(2) Calculation of equity system risk coefficient

The formular for equity system risk coefficient of the appraised corporation is as follows:

$\beta L = [1 + (1 - t) \times D/E] \times \beta_U$

In the formula: βL: Beta with financial leverage

βU: Beta without financial leverage

T: income tax rate of the appraised corporation

D/E: target capital structure

Based on the business characteristics of the appraised corporation, the professional asset valuer determined the βU of comparable companies to be 0.7263 after researching A shares property management companies on Shanghai-Shenzhen Stock Exchange in the choice system (initial date of transaction: 30 September 2014; end date of transaction: 30 September 2024).

Based on the amount of interest-bearing debts of the appraised corporation, when the corporate income tax rate of Letu Property is T=25.00%,

$$\beta L = [\,1 + (1 - \mathrm{T}) \times \overline{D/E}\,] \times \overline{\beta_U} = 0.8466$$

(3) Calculation of market risk surplus

Market risk surplus refers to the yield of an investment portfolio with diversified risks higher than the risk-free interest rate as required by the investors. According to the annualized average yield of Shanghai-Shenzhen shares in the recent decade, the market risk surplus of this Valuation is determined to be 5.71%.

(4) Determination of corporate specific risk adjustment input

Corporate specific risk adjustment input refers to risks specific to a corporation as compared to comparable listing companies in the same industry, affecting factors primarily include: operating risk, market risk, management risk, financial risk and technology risk.

In this Valuation, after considering various risk factors potentially faced by the corporation in future development, the individual risk adjustment input of the corporation is determined to be 5%.

2. *Interest-bearing debt to capital cost*

Interest-bearing debt to capital cost is based on the benchmark rate for loans above 5 years of 3.60% as announced and implemented by the People's Bank of China on 30 September 2024.

3. *Determination of discount rate during the forecast period*

Although there are differences between the actual capital structure of the appraised corporation as at Valuation Date and the target capital structure, management of the corporation expects to adjust to target capital structure in the near future and remain stable at such level. As such, target capital structure is adopted for the calculation of discount rate during the forecast period as the capital structure in this Valuation:

Ratio of interest-bearing debt = (D/E)/(1 + D/E) × 100.00%

When the corporate income tax rate reaches 25%, the inputs confirmed above will be applied to the weight average capital cost formular to arrive the weight average capital cost of the appraised corporation.

Determined by the following formular:

$$WACC = K_e \times \frac{E}{D+E} + K_d \times (1-t) \times \frac{D}{D+E}$$
$$= 9.78\%$$

In the formula: WACC: weight average capital cost
E: market value of equity
D: market value of debts
K_e: equity-to-capital cost
K_d: debt-capital cost
T: income tax rate

(ix) Perpetual discount rate

Determination of perpetual discount rate

Interest-bearing debt to capital cost of the appraised corporation as at Valuation Date is based on the benchmark rate for loans above 5 years of 3.6% as announced and implemented by the People's Bank of China on 30 September 2024. The inputs confirmed above is applied to the weight average capital cost formular to arrive the weight average capital cost of the appraised corporation.

$$WACC = K_e \times \frac{E}{D+E} + K_d \times (1-t) \times \frac{D}{D+E}$$

$$K_e = R_f + \beta \times MRP + R_c$$

$$\beta = [1 + (1 - t) \times D/E] \times \beta_U$$

In the formula: βL: Beta with financial leverage
βU: Beta without financial leverage
T: income tax rate of the appraised corporation
D/E: target capital structure

In the calculation, D/E, E/(D+E) and D/(D+E) adopt the average capital structure of selected comparable listed companies as target capital structure for determination.

Perpetual discount rate r is 9.78% when applying relevant inputs to the above formular.

(x)	Surplus assets	Surplus assets refer to the extra asset not directly related to corporate revenue and those exceed corporate operation needs. In general, they refer to exceeding monetary capital and transactional financial assets, etc. Surplus assets of Letu Property is nil.
(xi)	Non-operating assets (liabilities)	Non-operating assets (liabilities) refer to assets (liabilities) which have no contribution to the profit forecast on operating cashflow, do not involve in operating cashflow circulation, are hard to predict future operating cashflow and can be valued independently. Non-operating assets (liabilities) of Letu Property are other receivables and other payables at carrying value amounted to RMB81,900.
(xii)	Interest-bearing debts	Interest-bearing debts refer to the liabilities of interest payable of the appraised corporation as at Valuation Date, which is determined based on its market value. The interest-bearing debts of the Target Company as at Valuation Date is nil.

Sensitivity Analysis

The Valuer confirmed that changes in any key assumptions or inputs would not materially affect the Valuation. A single-factor sensitivity analysis is adopted for the Valuation.

1. Identifying economic indicators for sensitivity analysis

Based on the significance to all equity interests held by the shareholders, sales revenue and cost of principal business were selected for the study.

2. Determine factors of uncertainties for analysis and comparison

Determine factors that are estimated to have a larger impact on the results of Valuation: price of sales service and total salary of employees.

3. Calculate and analyse the impact of factors of uncertainties on equity value

Based on the range of changes of the pre-determined factors of uncertainties, the changes of project indicators following the changes of factors of uncertainties are calculated.

Sensitivity analysis was performed over changes of price of sales service, total salary of employees and other factors, and the measurement indicator is the current net cash flow.

As the revenue of the principal business of the Target Company mainly consists of property management and operation revenue and the unit price of its services has a relatively large impact on its revenue, the sensitivity analysis takes into account a 10% decrease in the unit price of services under the normal forecast of the Valuation Report. Moreover, according to comparable cases in the industry in recent years, since the total salary of employees accounts for a large proportion in the property industry, the sensitivity analysis takes into account a 10% increase in the total salary of employees under the normal forecast of the Valuation Report.

When the unit price of services falls by 10% under the normal forecast of this report, the estimated total equity interest attributable to the shareholders amounted to RMB8.6909 million, representing a 10% difference as compared to normal appraised value of RMB9.6889 million, which has relatively insignificant impact.

When the total salary of employees increases by 10% under the normal forecast of this report, the estimated total equity interest attributable to the shareholders amounted to $9.6308 million, representing a 1% difference as compared to normal appraised value of $9.6889 million, which has relatively insignificant impact.

Based on the sensitivity analysis of this project, a 10% decrease of sales price and a 10% increase of total salary of employees have relatively minor impact on the shareholders' equity interest in this project, demonstrating the strong risk resilience of the Target Company.

Unaudited Net Asset Value of the Target Company

As at 30 September 2024, the unaudited net asset value of the Target Company is RMB367,900.

Consideration

Pursuant to the Agreement, the consideration of HK$5,359,000 payable for the Sale Shares shall be settled by way of allotment and issuance of new Shares at the Issue Price (in accordance with the Initial Issue Price of HK0.348 per Consideration Shares, with issuance of not more than 15,399,423 new Shares (the "**Maximum Number of Consideration Shares**") (instead of 15,401,253 new Shares as stated in the Announcement), being approximately 1.06% of the total number of issued Shares as at the date of this announcement) to the Vendor in three tranches as set out in the Announcement.

The 1st Tranche Consideration Shares shall be the allotment and issuance of 4,370,689 Consideration Shares (instead of 4,371,721 Consideration Shares as stated in the Announcement) at the Initial Issue Price or such number of Consideration Shares calculated based on the then prevailing market price per Share being the average closing price per Share as quoted on the Stock Exchange for the five (5) consecutive trading days prior to 31 March 2025 (whichever the issue price is higher) provided that the number of the 1st Tranche Consideration Shares shall be no more than 4,370,689 Shares.

The 2nd Tranche Consideration Shares shall be the allotment and issuance of 5,514,367 Consideration Shares (instead of 5,514,766 Consideration Shares as stated in the Announcement) at the Initial Issue Price or such number of Consideration Shares calculated based on the then prevailing market price per Share being the average closing price per Share as quoted on the Stock Exchange for the five (5) consecutive trading days prior to 31 March 2026 (whichever the issue price is higher) provided that the number of the 2nd Tranche Consideration Shares shall be no more than 5,514,367 Shares.

The 3rd Tranche Consideration Shares shall be the allotment and issuance of 5,514,367 Consideration Shares (instead of 5,514,766 Consideration Shares as stated in the Announcement) at the Initial Issue Price or such number of Consideration Shares calculated based on the then prevailing market price per Share being the average closing price per Share as quoted on the Stock Exchange for the five (5) consecutive trading days prior to 31 March 2027 (whichever the issue price is higher) provided that the number of the 3rd Tranche Consideration Shares shall be no more than 5,514,367 Shares.

Consideration Share(s) shall be an aggregate of up to 15,399,423 new Shares (instead of 15,401,253 new Shares as referred to in the Announcement), being approximately 1.06% of the total number of issued Shares as at the date of this announcement, to be allotted and issued by the Company to the Vendor at the Issue Price for the settlement of the Consideration.

INFORMATION OF THE VENDOR

The ultimate beneficial owner of the Vendor is CHEN Chung Po who is the sole shareholder of the Vendor.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 1,457,238,414 Shares in issue. For illustration purpose only, set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issuance of the Maximum Number of Consideration Shares and assuming there will be no other changes to the total issued share capital of the Company between the date of this announcement and the Completion Date.

Shareholders	**As at the date of this announcement**		**Immediately upon the allotment and issuance of the Maximum Number of Consideration Shares and assuming there will be no other changes in the total issued share capital of the Company between the date of this announcement and the Completion Date**	
	Number of Shares	*%*	*Number of Shares*	*%*
Brilliant Chapter Limited *(Note 1)*	834,851,294	57.29%	834,851,294	56.69%
Mr. ZHANG Chunhua *(Note 1)*	834,851,294	57.29%	834,851,294	56.69%
Mr. ZHANG Chunhua *(Note 2)*	43,298,000	2.97%	43,298,000	2.94%
The Vendor	—	—	15,399,423	1.05%
Other Shareholders	579,089,120	39.74%	579,089,120	39.32%
Total	**1,457,238,414**	**100%**	**1,472,637,837**	**100%**

Notes:

(1) Brilliant Chapter Limited is a limited liability company incorporated in the Republic of Seychelles and its issued share capital is beneficially owned as to 80% by Mr. Zhang Chunhua and as to 20% by Source Mega Limited, a company incorporated in the Republic of Seychelles (as a nominee of Ms. Zhang Chunping). Mr. Zhang Chunhua is the brother of Ms. Zhang Chunping.

(2) Mr. Zhang Chunhua is personally interested in 43,298,000 shares of the Company. In addition, he is also entitled to his share options to subscribe for 13,800,000 shares of the Company in his capacity as a director of the Group.

By order of the Board
CHINA BRILLIANT GLOBAL LIMITED
Zhang Chunhua
Chairman and Executive Director

Hong Kong, 5 February 2025

As at the date of this announcement, the Board comprises the following directors:

Mr. Zhang Chunhua (Executive Director (Chairman))
Ms. Zhang Chunping (Executive Director and Chief Executive Officer)
Ms. Chan Mei Yan Hidy (Independent Non-executive Director)
Ms. Huang Jingshu (Independent Non-executive Director)
Mr. Peng Yin (Independent Non-executive Director)