THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

RONGZHONG

CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED
中國融眾金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03963)

(1) MAJOR AND CONNECTED TRANSACTION CONDITIONAL AGREEMENT IN RELATION TO THE ACQUISITION OF THE REMAINING 49% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (2) CONNECTED TRANSACTION CONDITIONAL AGREEMENT IN RELATION TO THE SUBSCRIPTION FOR NEW SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders

中州國際融資有限公司
CENTRAL CHINA INTERNATIONAL CAPITAL LIMITED

A notice convening the EGM of the Company to be held at 10:30 a.m. on Tuesday, 9 January 2024 at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e not later than 10:30 a.m. on Sunday, 7 January 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

15 December 2023

CONTENT

DEFINITIONS

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

"Ace York Investment"	Ace York Investment Management Limited, a company incorporated in the British Virgin Islands with limited liability and the trustee of Ace York Management Trust, and is owned as to 50% by Ms. Michelle Wong and 50% by Ms. Jacqueline Wong
"Ace York Management Trust"	a discretionary trust founded by Ms. Jacqueline Wong, of which the trustee is Ace York Investment and the beneficiaries are Ms. Michelle Wong and Ms. Jacqueline Wong
"Acquisition"	the acquisition of the Acquisition Shares by the Company from the Offeror pursuant to the terms of the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 30 October 2023 between the Offeror (as vendor) and the Company (as purchaser) in relation to the sale and purchase of the Acquisition Shares
"Acquisition Completion"	the completion of the acquisition of the Acquisition Shares by the Company under the Acquisition Agreement
"Acquisition Consideration"	the total sum of HK$17,500,000, being the consideration for the acquisition of the Acquisition Shares, which will be satisfied by the issue and allotment of the Consideration Shares at HK$0.38 per Share under the Acquisition Agreement
"Acquisition Shares"	a total of 49 issued ordinary shares, or 49% of the issued share capital, of the Target Company conditionally agreed to be acquired by the Company in accordance with the Acquisition Agreement
"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"associate"	has the meaning ascribed to it in the Takeovers Code or the Listing Rules, as the context may require from time to time
"Board"	the board of directors of the Company

"Business Day"	a day (other than a Saturday or Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Charged Shares"	38,503,380 Shares held by Yong Hua International Limited and charged to Solomon Glory and which are subject to an order issued on 13 March 2019 by The High Court of Hong Kong
"close associate"	has the meaning ascribed to it under the Listing Rules
"Company"	China Rongzhong Financial Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) whose issued Shares are listed on the Main Board of the Stock Exchange
"Completion Date"	the date on which the Acquisition Completion and Subscription Completion take place
"Composite Document"	a composite document proposed to be jointly issued by Offeror and the Company to the Offer Shareholders and Offer Option holders in connection with the Offers in accordance with the Takeovers Code that will set out, among other things, (a) the expected timetable in relation to the Offers, (b) a letter from Ping An setting out the terms of the Offers made on behalf of Offeror, and (c) letters from the independent board committee and the independent financial adviser in relation to the Offers
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration Shares"	a total of 46,052,632 new Shares to be issue and allotted by the Company at HK$0.38 per Share to satisfy the consideration for the purchase of the Acquisition Shares under the Acquisition Agreement
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules

"Convertible Bonds"	convertible bonds in an aggregate principal amount of HK$3,811,500 at a conversion price of HK$0.154 per conversion share issued by the Company to the Offeror on 4 March 2022, in which a maximum of 24,750,000 new Shares will be allotted and issued to the Offeror upon conversion of such convertible bonds
"Directors"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Tuesday, 9 January 2024 at 10:30 a.m., the notice of which is set out on EGM-1 to EGM-4 of this circular, at which the Independent Shareholders would be asked to consider and approve the Acquisition Agreement, the Subscription Agreement and the transactions contemplated by them respectively (including the grant of the Specific Mandate for the issue and allotment of the Consideration Shares and the Subscription Shares)
"Encumbrances"	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same and "Encumber" shall be construed accordingly
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries from time to time
"Hangzhou Jinyuhong"	杭州金寓宏汽車租賃服務有限公司 (Hangzhou Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 19 October 2023 with limited liability
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Company"	Harvest Well Limited, a company incorporated in Hong Kong on 17 September 2021 with limited liability which is directly wholly-owned by the Target Company and directly holds the PRC Holding
"Huzhou Jinyuhong"	湖州金寓宏汽車租賃服務有限公司 (Huzhou Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 23 December 2019 with limited liability
"Huzhou Zhuoan"	湖州卓安汽車租賃服務有限公司 (Huzhou Zhuoan Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 18 November 2021 with limited liability
"Huzhou Zhuofan"	湖州卓凡汽車租賃服務有限公司 (Huzhou Zhuofan Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 30 September 2020 with limited liability
"Huzhou Zhuohuian"	湖州卓滙安汽車租賃服務有限公司 (Huzhou Zhuohuian Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 24 November 2023 with limited liability
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Lie Chi Wing, Mr. Ng Wing Chung Vincent and Mr. Ng Yuk Yeung Paul established for the purpose of providing recommendations in respect of the Acquisition Agreement and the Subscription Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	Central China International Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the Subscription Agreement and the transactions contemplated thereunder under the Listing Rules

"Independent Shareholders"	Shareholders other than those who have any material interest in the Acquisition Agreement and the Subscription Agreement and the transactions contemplated by them
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer engaged by the Company to perform the valuation of the value of 100% of the Target Group
"Jiaxing Jinyuhong"	嘉興金寓宏汽車租賃服務有限公司 (Jiaxing Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 9 September 2020 with limited liability
"Jiaxing Zhuoan"	嘉興卓安汽車租賃服務有限公司 (Jiaxing Zhuoan Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 22 September 2022 with limited liability
"Jiaxing Zhuofan"	嘉興卓凡汽車租賃服務有限公司 (Jiaxing Zhuofan Car Rental Services Co., Ltd.*), a company established under the laws of PRC on 12 November 2021 with limited liability
"Jiaxing Zhuohuian"	嘉興卓滙安汽車租賃服務有限公司 (Jiaxing Zhuohuian Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 22 November 2023 with limited liability
"Jinhua Jinyuhong"	金華金寓宏汽車租賃服務有限公司 (Jinhua Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 25 October 2023 with limited liability
"Joint Announcement"	the announcement dated 30 October 2023 jointly issued by the Company and the Offeror in respect of the Acquisition, the Subscription and the possible Offers
"Last Trading Day"	30 October 2023, being the last full trading day of Shares on the Stock Exchange before the publication of the Joint Announcement

"Latest Practicable Date"	13 December 2023, being the latest practicable date to ascertain certain information contained herein before the printing of this circular
"Legend Crown"	Legend Crown International Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ace York Management Trust
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loans"	the loans advanced by the Offeror to the Company, including the Loan Facility and the Loan Note
"Loan Capitalisation"	the proposed allotment and issue of the Subscription Shares at the Subscription Price, in which the aggregate consideration payable for the Subscription will be set off against the Loan Capitalisation Amount in accordance with the terms and conditions of the Subscription Agreement
"Loan Capitalisation Amount"	the total outstanding principal amount and all accrued and unpaid interests of the Loans up to and including the Completion Date
"Loan Document"	in relation to any Loan, the agreement, any facility agreement or loan note in respect of that Loan (or any part thereof) pursuant to which the monies were advanced to the Company (as varied from time to time in accordance with its applicable terms and conditions)
"Loan Facility"	an unsecured term loan facility made available by the Offeror to the Company with an aggregate principal amount of up to HK$50,000,000 at an interest rate of 6% per annum and repayable on 20 October 2024 pursuant to a loan agreement dated 21 October 2021 made between the Offeror and the Company

"Loan Note"	an unsecured loan note issued by the Company to the Offeror in the principal amount of HK$13,188,500 at an interest rate of 4.58% per annum with the maturity date falling on 3 March 2025 pursuant to a loan note instrument dated 4 March 2022 made between the Company and the Offeror
"Long Stop Date"	being 31 March 2024, or such other date as the Company and the Offeror may agree in writing pursuant to the Acquisition Agreement and the Subscription Agreement
"Mr. David Wong"	means Mr. Wong Ming Bun David, a non-executive Director, and a director of the Offeror
"Ms. Jacqueline Wong"	means Ms. Wong Jacqueline Yue Yee, a non-executive Director and a controlling shareholder of the Company
"Ms. Michelle Wong"	means Ms. Wong Michelle Yatyee, a non-executive Director, a controlling shareholder of the Company, and a director of the Offeror
"Ningbo Hongyue"	寧波宏悦汽車租賃服務有限公司 (Ningbo Hongyue Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 10 January 2022 with limited liability
"Ningbo Jinyuhong"	寧波金寓宏汽車租賃服務有限公司 (Ningbo Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 27 May 2020 with limited liability
"Ningbo Zhuoling"	寧波卓領汽車租賃服務有限公司 (Ningbo Zhuoling Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 23 March 2021 with limited liability
"Offer Option"	any Option subject to the Option Offer
"Offer Shareholders"	Shareholders other than the Offeror Concert Group
"Offeror"	Goldbond Group Holdings Limited 金榜集團控股有限公司， a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company as at the Latest Practicable Date

"Offeror Concert Group"	Offeror and the parties acting in concert with it or presumed to be acting in concert with the Offeror under the definition of "acting in concert" under the Takeovers Code
"Offers"	collectively, the Share Offer and the Option Offer
"Option(s)"	outstanding share options granted by the Company pursuant to the Share Option Scheme
"Option Offer"	possible mandatory unconditional cash offer to be made by Ping An for and on behalf of the Offeror to cancel all the Offer Options in accordance with the Takeovers Code after the Acquisition Completion and the Subscription Completion take place, the terms of which will be set out in the Composite Document
"Perfect Honour"	Perfect Honour Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Offeror and a controlling shareholder of the Company interested in 143,805,903 Shares, representing approximately 34.18% of the issued share capital of the Company as at the Latest Practicable Date
"Plenty Boom"	Plenty Boom Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ace York Management Trust
"Ping An"	Ping An of China Capital (Hong Kong) Company Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO and financial adviser to Offeror in relation to the Offers
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"PRC Holding"	金寓匯宏管理諮詢(上海)有限公司 (Jinyuhuihong Management Consulting (Shanghai) Co., Ltd.*), a wholly-owned foreign enterprise established in the PRC on 29 December 2021 with limited liability by the Offeror for the purpose of holding the equity interests in the PRC Subsidiaries
"PRC Subsidiaries"	Hangzhou Jinyuhong, Huzhou Jinyuhong, Huzhou Zhuoan, Huzhou Zhuofan, Huzhou Zhuohuian, Jiaxing Jinyuhong, Jiaxing Zhuoan, Jiaxing Zhuofan, Jiaxing Zhuohuian, Jinhua Jinyuhong, Ningbo Hongyue, Ningbo Jinyuhong, Ningbo Zhuoling, Shaoxing Jinyuhong, Shaoxing Zhuoling, Taizhou Jingyuhong, Wenzhou Zhuofan and any such other subsidiaries which are to be established under the laws of the PRC, with the consent of the Company, from time to time, all of which are or will be directly wholly-owned by the PRC Holding
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shaoxing Jinyuhong"	紹興金寓宏汽車租賃服務有限公司 (Shaoxing Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 29 May 2020 with limited liability
"Shaoxing Zhuoling"	紹興卓領汽車服務有限公司 (Shaoxing Zhuoling Automobile Services Co., Ltd.*), a company established under the laws of PRC on 26 October 2020 with limited liability
"Share Offer"	possible mandatory unconditional cash offer to be made by Ping An, for and on behalf of the Offeror, to acquire all the issued Shares not already owned and/or agreed to be acquired by the Offeror Concert Group in accordance with the Takeovers Code after the Acquisition Completion and the Subscription Completion take place, the terms of which will be set out in the Composite Document
"Share Option Scheme"	share option scheme adopted by the Company on 18 December 2015, as amended from time to time

"Shareholder"	a holder of any Share
"Shares"	ordinary shares, current having par value of HK$0.01 each, in the capital of the Company
"Subscription"	subscription of the Subscription Shares by the Offeror under the Subscription Agreement
"Specific Mandate"	the specific mandate for the issue and allotment of the Consideration Shares and the Subscription Shares to the Offeror, which is subject to the approval by the Independent Shareholders at the EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement dated 30 October 2023 entered into between the Offeror (as subscriber) and the Company (as issuer) in respect of the Subscription
"Subscription Completion"	completion of the Subscription in accordance with the Subscription Agreement
"Subscription Price"	HK$0.38 per Subscription Share
"Subscription Shares"	new Shares to be subscribed for at the Subscription Price by the Offeror, the amount of which shall be calculated by dividing the Loan Capitalisation Amount by the Subscription Price
"subsidiaries"	has the meaning ascribed to it in the Listing Rules
"Taizhou Jinyuhong"	台州金寓宏汽車租賃服務有限公司 (Taizhou Jinyuhong Car Rental Services Co., Ltd.*), a company established under the laws of PRC on 17 December 2021 with limited liability
"Target Company"	Ultimate Harvest Global Limited 至豐環球有限公司， a company incorporated in the British Virgin Islands on 5 August 2021 with limited liability, in which its issued share capital is respectively owned as to 49% by the Offeror and 51% by the Company
"Target Group"	the Target Company and its subsidiaries from time to time

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Valuation Report"	the valuation report on the value of 100% of the Target Group as a group as at 30 September 2023 prepared by the Independent Valuer, the full text of which is set out in Appendix V to this circular
"Wenzhou Zhuofan"	溫州卓凡汽車租賃服務有限公司 (Wenzhou Zhuofan Car Rental Services Co., Ltd.*), a company established under the laws of PRC on 23 October 2023 with limited liability
"%"	per cent

* *For identification purposes only.*

CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED
中國融眾金融控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03963)

Executive Director:
Ms. Wong Emilie Hoi Yan

Non-executive Directors:
Mr. Lau Hiu Fung
Ms. Wong Jacqueline Yue Yee
Ms. Wong Michelle Yatyee
Mr. Wong Ming Bun David

Independent non-executive Directors:
Mr. Lie Chi Wing
Mr. Ng Wing Chung Vincent
Mr. Ng Yuk Yeung Paul

Registered Office:
Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

Principal Place of Business in Hong Kong registered under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong):
Unit 3901, 39/F,
Tower One, Lippo Centre,
89 Queensway, Hong Kong

15 December 2023

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION CONDITIONAL AGREEMENT IN RELATION TO THE ACQUISITION OF THE REMAINING 49% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(2) CONNECTED TRANSACTION CONDITIONAL AGREEMENT IN RELATION TO THE SUBSCRIPTION FOR NEW SHARES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

References are made to (i) the Joint Announcement issued in relation to the Acquisition, the Subscription and the Offers (the materialization of which is subject to completion of the Acquisition and the Subscription) ; and (ii) the announcement issued by the Company in relation to, amongst others, the appointment of the Independent Financial Adviser dated 21 November 2023.

On 30 October 2023 (after trading hours), the Offeror (as vendor) and the Company (as purchaser) entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire, and the Offeror conditionally agreed to sell the Acquisition Shares, representing 49% of the issued share capital in the Target Company (a non wholly-owned subsidiary of the Company), at the consideration of HK$17,500,000, which will be satisfied by the issue and allotment of the Consideration Shares to the Offeror. Upon Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company.

In addition, on 30 October 2023 (after trading hours), the Offeror (as subscriber) and the Company (as issuer) entered into the Subscription Agreement, pursuant to which the Offeror conditionally agreed to subscribe for, and the Company conditionally agreed to issue and allot the Subscription Shares at the Subscription Price of HK$0.38, in which the aggregate consideration payable by the Offeror will be satisfied by way of setting off against the Loan Capitalisation Amount.

Acquisition Completion and Subscription Completion are inter-conditional upon each other and shall take place simultaneously.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition and the Subscription; and (ii) a notice convening the EGM.

2. ACQUISITION AGREEMENT

Date: 30 October 2023 (after trading hours)

Parties: (a) the Company, as the purchaser; and

(b) the Offeror, as the vendor.

As at the Latest Practicable Date, the Offeror was interested in an aggregate of 152,055,903 Shares (whereby it (i) directly owned 8,250,000 Shares; and (ii) owned the entire issued share capital of Perfect Honour which is interested in 143,805,903 Shares), representing approximately 36.14% of the existing issued Shares. The Offeror is thus a controlling shareholder and a connected person of the Company.

For more details of the parties, please refer to sections headed "Information of the Group" and "Information of the Offeror" below.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Offeror has conditionally agreed to sell, and the Company has conditionally agreed to acquire the Acquisition Shares, representing 49% of the issued share capital of the Target Company.

Consideration

The Acquisition Consideration shall be HK$17,500,000, which shall be satisfied by the Company by the issue and allotment of Consideration Shares to the Offeror upon Acquisition Completion.

The Acquisition Consideration was determined after arm's length negotiations between the Company and the Offeror on normal commercial terms with reference to, including without limitation, the following factors:

(a) the unaudited net asset value of the Target Group as at 30 September 2023 of approximately HK$15,982,000. Such information does not serve as a quantitative factor in determining the amount of consideration for the Acquisition. Rather, the Target Group's net asset position is viewed to have offered an objective qualitative basis for the Group in evaluating the consideration of the Acquisition, as it demonstrated the solvency and financial position of the Target Group for its business operations;

(b) the total consideration paid by the Group for the acquisition of 51% of the issued share capital in the Target Company on 4 March 2022 (the "**Previous Acquisition**"). The Group considered it provided a comparable quantitative guide to evaluate the consideration for this Acquisition as:

   (i) the target company of the Previous Acquisition was the same company as the Acquisition and was concluded recently in 2022;

   (ii) an independent valuation of the Target Group and opinion from an independent financial adviser was obtained for the Previous Acquisition. Details of such valuation are further set out in the paragraph headed "Independent valuation of the Target Group for the Previous Acquisition" below;

   (iii) the independent Shareholders approved that Previous Acquisition, signifying an endorsement of the underlying approach and considerations of the Group's management in that acquisition;

(c) the existing operations and future business prospects of the Target Group, including the following:

(i) subsequent to the Previous Acquisition, the business of the Target Group has been expanded to other cities in Zhejiang Province, such as Hangzhou and Jinhua;

(ii) the Target Group has also tapped into the markets of leasing first-hand vehicles and electric vehicles in 2023 (instead of just focusing on leasing second-hand vehicles); and

(iii) going forward, the Target Group plans to further expand its operating lease business to Jiangsu Province and Fujian Province.

In view of the aforesaid, and the fact that the Company is familiar with the operations and management of the Target Group (given the Target Company has been a non wholly-owned subsidiary of the Company since March 2022), the Company is thus confident in its existing business operations and future development prospects; and

(d) the preliminary valuation of the Target Group as a whole as at 30 September 2023 of approximately HK$42,000,000 to HK$44,000,000 conducted by the Independent Valuer based on the market approach.

As at the Latest Practicable Date, the Company has obtained the Valuation Report from the Independent Valuer, and the final appraised value of 100% equity interests of the Target Group as at 30 September 2023 was approximately HK$42,000,000. As set out in the section headed "Acquisition Agreement – Conditions precedent" below, the obtaining of the Valuation Report from the Independent Valuer showing the value of 100% of the Target Group as a group is a condition precedent specified in the Acquisition Agreement, which is a material term of the Acquisition Agreement. The full text of the Valuation Report prepared by the Independent Valuer is thus set out in Appendix V to this circular.

As the Target Group was initially established by the Offeror, the Acquisition Shares was not acquired by the Offeror from a third party. Thus, there is no original acquisition cost for the Acquisition Shares. The Company acquired 51% of the issued share capital in the Target Company on 4 March 2022 at the consideration of HK$17,000,000. As at 4 March 2022, the investment of the Offeror on the Target Group amounted to approximately HK$49.6 million.

Independent valuation of the Target Group for the Previous Acquisition

As disclosed in the circular of the Company dated 24 January 2022 in relation to the Previous Acquisition, according to the valuation report (the "**Previous Valuation Report**") dated 19 January 2022 prepared by Moore Transaction Services Limited (the "**Previous Valuer**"), an independent valuer, the valuation of the Target Group *(Note)* as at 30 November 2021 was approximately HK$39,000,000. The full text of the Previous Valuation Report was set out in Appendix V to the circular of the Company dated 24 January 2022.

Below is a summary of the valuation methodology and key assumptions of the Previous Valuation Report:

Valuation methodology

The market approach has been adopted and it reflects the value obtained from a consensus of market participants over the corresponding industry. It is generally agreed that such an approach involves less subjective assumptions and judgements in a valuation as this is principally based on comparison. Also, there are several publicly listed companies of similar businesses that could provide a reasonable valuation benchmark. Thus, the market approach has been adopted in the valuation of the Target Company for the Previous Acquisition.

The guideline company method under the market approach has been adopted by the Previous Valuer. The Previous Valuer has determined that guideline company method is to be applied as there are sufficient comparable companies (i.e. guideline companies) that engaged in the same or similar principal business as the Target Group. The Previous Valuer selected 9 guideline companies based on the following principles:

(i) the guideline companies mainly engage in providing car rental and lease services as per the Previous Valuer's understanding based on their company descriptions provided by publicly available source and their own websites. Such business activities are the principal or one of the principal business activities of these companies;

(ii) the shares of guideline companies were listed on the world's top 15 stock exchanges in terms of market capitalisation as at 30 June 2021 as included in the publication issued by the SFC or recognised stock exchange (being recognised by the Hong Kong Exchanges and Clearing Limited);

Note: As disclosed in the circular of the Company dated 24 January 2022, one of the conditions precedent to the completion of the Previous Acquisition was the internal restructuring of the Target Group, which involved, among others, (i) the incorporation and/or establishment of the Target Company, the Hong Kong Company and the PRC Holding; and (ii) the acquisition of Huzhou Jinyuhong and its then subsidiaries (all being PRC Subsidiaries) by the PRC Holding. As at the benchmark date of the Previous Valuation Report (i.e. 30 November 2021), such restructuring was not yet completed, and certain PRC Subsidiaries were either newly established or not yet established. Accordingly, the scope of the Previous Valuation Report only covered Huzhou Jinyuhong and its certain subsidiaries (namely Huzhou Zhuofan, Jiaxing Jinyuhong, Ningbo Jinyuhong, Ningbo Zhuoling, Shaoxing Jinyuhong and Shaoxing Zhuoling).

(iii) the guideline companies recorded positive earnings and earnings before interest, taxes, depreciation and amortisation (EBITDA) for the preceding twelve months; and

(iv) the guideline companies' shares were actively traded in the market and have sufficient relevant financial information which are publicly available.

The Previous Valuer has adopted the EV/EBITDA (enterprise value to EBITDA) multiple as the valuation multiple. The EV/EBITDA multiple measures the profitability of the company as an entire firm and is considered to be capital structure neutral with the depreciation and amortisation factors being taken into consideration. It focuses on the cash flows of the company without being influenced by its financing and depreciation and amortisation policies.

Key assumptions

(i) the principal businesses of the relevant PRC Subsidiaries will not change significantly in the foreseeable future;

(ii) the relevant PRC Subsidiaries have obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which such PRC Subsidiaries operate or intend to operate would be officially obtained and renewable upon expiry;

(iii) the relevant PRC Subsidiaries will continue to operate as a going concern and the core operation of such PRC Subsidiaries will not differ materially from those of present or expected; and

(iv) the management has sufficient knowledge and experience in respect of the operation of the relevant PRC Subsidiaries, and the turnover of any director, management or key person will not affect the operation of such companies.

Independent valuation of the Target Group for the Acquisition

As disclosed in the Valuation Report set out in Appendix V to this circular, the Independent Valuer has adopted a very similar approach for the valuation of the Target Group for the Acquisition. Below is a summary of the valuation methodology and key assumptions of the Valuation Report:

Valuation methodology

Among the three generally accepted valuation approaches, namely market approach, income approach and cost approach, the Independent Valuer has also adopted the market approach for the valuation of the Target Group as (i) the income approach is not desirable as it would involve numerous assumptions and subjective judgments; (ii) the cost approach is not desirable as it does not directly incorporate information about the economic benefits contributed by the Target Group; and (iii) the market approach has the benefits of simplicity, clarity, speed and the need for fewer subjective assumptions, and introduces objectivity in application as publicly available inputs are used.

The Independent Valuer has also used the guideline company method. In identifying comparable companies, the Independent Valuer has adopted the following selection criteria:

(i) the shares of the comparable companies have been listed and actively traded in public exchanges for no less than six months;

(ii) the comparable companies mainly engage in the same industry as the Target Group, namely car rental and lease services and related business;

(iii) the revenue of the comparable companies generated from car rental and lease and related services was over 50% of their total revenue for the latest financial year;

(iv) the comparable companies recorded positive net operating profit after tax in their latest financial year; and

(v) sufficient operational and financial data, including the EV/EBITDA ratio, on the comparable companies are available as at 30 September 2023.

The Independent Valuer identified 9 guideline companies based on the above selection criteria, in which 8 of them were also selected by the Previous Valuer as guideline companies in the Previous Valuation Report. The remaining one guideline company was not selected by the Independent Valuer as it did not record a positive EBITDA in the latest financial year. The Independent Valuer thus selected another guideline company (which was listed after the benchmark date of the Previous Valuation Report) based on the above selection criteria.

Similar to the Previous Valuer, the Independent Valuer has also adopted the EV/EBITDA multiple as the valuation price multiple as it is a capital structure neutral ratio which can show how well a company performed through its core operations regardless of the difference in accounting treatments of depreciation and amortisation.

Key assumptions

(i) the principal businesses of the Target Group will not change significantly in the foreseeable future;

(ii) the Target Group have obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;

(iii) the Target Group will continue to operate as a going concern with adequate operation facilities and business systems in place or proposed (if any) that are in line with the industry, without this assumption, the market approach may not be appropriate for this valuation; and

(iv) the core operation of the Target Group will not differ materially from those of present or expected, otherwise the selection criteria of the guideline companies would have been different.

In assessing the fairness and reasonableness of the valuation of the Target Group prepared by the Independent Valuer, the Board has considered the following:

(1) the Independent Valuer is an independent professional party engaged by the Company;

(2) the Independent Valuer has the necessary qualifications to perform the valuation and also has sufficient experience in carrying out similar valuations;

(3) the scope of work carried out by the Independent Valuer is appropriate for the present engagement; and

(4) the Board has reviewed with the Independent Valuer the methodology and key assumptions adopted and the list of comparables selected for the Valuation Report. Throughout such review:

   (i) the Board understood from the Independent Valuer that the methodology and key assumptions adopted by the Independent Valuer in performing its valuation of the Target Group were generally customarily adopted for other similar valuation engagements undertaken by the Independent Valuer;

(ii) the Independent Valuer considers, and the Board concurs, that, amongst the three generally accepted valuation approaches (namely, market approach, cost approach and income approach), the cost approach is inappropriate as it does not directly incorporate information about the economic benefits contributed by the Target Group, whereas the income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained. In view of the significant limitations of the foregoing approaches, the Board concurs with the Independent Valuer that the market approach is the most suitable in this scenario as (i) it considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable; and (ii) it has the benefits of simplicity, clarity, speed and the need for fewer subjective assumptions, which also introduces objectivity in application as publicly available inputs are used;

(iii) out of the valuation methods under the market approach (namely, guideline public companies method and guideline transactions method), the Independent Valuer considers, and the Board agrees, that the guideline transactions method is not suitable in the current circumstances due to the lack of sufficient recent market transactions with similar nature as the Target Group. Also, given there are several publicly listed companies conducting similar businesses as the Target Group that could provide a reasonable valuation benchmark, the Independent Valuer considers, and the Board concurs, that the guideline public companies method is more appropriate; and

(iv) the Board has discussed with the Independent Valuer as to the appropriateness of comparable companies selected. It is noted that the Independent Valuer has initially searched for comparable companies in the same geographical region (i.e. the PRC) as the Target Group that satisfy the selection criteria (including but not limited to having been listed and actively traded in recognised or top public exchanges for no less than six months) as disclosed in the Valuation Report. However, no direct comparable company that meets such selection criteria could be identified in the PRC. The Independent Valuer thus expanded the range of selection with comparable companies in other countries, and on this basis, nine comparable listed companies have been identified by the Independent Valuer, and the Independent Valuer considered that each of these comparable companies was fair and representative for the purpose of valuation. In order to reflect the differences in size and location between the comparable companies and the Target Group, as disclosed in the Valuation Report, the Independent Valuer made adjustment to the base EV/ EBITDA multiples in accordance with a formula in a widely-adopted textbook written by a renowned valuation expert. The Board agreed that the Independent Valuer had selected relevant and representative comparable companies from reliable and verifiable market data. The Board has also reviewed the suitability of such comparable companies and agreed with the Independent Valuer's views on the comparable companies selected and adjustments made to reflect size and location differences between the comparable companies and the Target Group.

Thus, the Board considered the valuation of the Target Group is fair and reasonable.

Consideration Shares

A total of 46,052,632 Consideration Shares will be issued and allotted, representing approximately 10.95% of the existing issued share capital of the Company as of the Latest Practicable Date and approximately 7.94% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Subscription Shares (assuming the Completion Date falls on the Long Stop Date).

The issue price of HK$0.38 per Consideration Share represents:

(a) a discount of approximately 9.52% to the closing price of HK$0.420 per Share as quoted on the Stock Exchange on 30 October 2023, being the Last Trading Day;

(b) a discount of approximately 9.09% to the average closing price of approximately HK$0.418 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;

(c) a discount of approximately 8.87% to the average closing price of approximately HK$0.417 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day; and

(d) a premium of approximately HK$0.44 per Share over the Group's audited consolidated net liabilities attributable to the Shareholders of approximately HK$0.06 per Share as at 31 March 2023, calculated by dividing the Group's audited consolidated net liabilities attributable to the Shareholders of approximately HK$25,000,000 as at 31 March 2023 by 420,759,000 Shares in issue as at the Latest Practicable Date.

The issue price of HK$0.38 per Consideration Share was arrived at after arm's length negotiations between the Offeror and the Company after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

The Consideration Shares, when issued and allotted, will rank *pari passu* in all respects with the Shares then in issue as at the date of allotment and issue.

The Consideration Shares will be issued and allotted pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Acquisition Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

(a) the passing of the ordinary resolutions by the Independent Shareholders at the EGM to be convened and held to approve the Acquisition Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the issue and allotment of the Consideration Shares;

(b) the obtaining of a valuation report (in form and substance satisfactory to the Company) from an independent valuer appointed by the Company and showing the value of 100% of the Target Group as a group;

(c) the Offeror's warranties as set out in the Acquisition Agreement remaining true and not misleading in all respects;

(d) the Company's warranties as set out in the Acquisition Agreement remaining true and not misleading in all respects;

(e) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares; and

(f) conditions precedent (a) and (b) of the Subscription Agreement (as set out in the section headed "Subscription Agreement – Conditions precedent" below) having been satisfied.

The Offeror may at any time waive in whole or in part and conditionally or unconditionally condition precedent (d) above by notice in writing to the Company.

The Company may at any time waive in whole or in part and conditionally or unconditionally condition precedent (c) above by notice in writing to the Offeror. The other conditions precedent cannot be waived by either party. As at the Latest Practicable Date, the Company has obtained the Valuation Report from the Independent Valuer. Accordingly, condition precedent (b) above has been fulfilled. The full text of the Valuation Report is set out in Appendix V to this circular.

The Offeror and the Company shall use their best commercial efforts to procure satisfaction of the conditions (other than those waived by the relevant party), by 4:00 p.m. on the Long Stop Date.

If the conditions precedent have not been satisfied, or where applicable, waived on or before 4:00 p.m. on the Long Stop Date, or such later date as the Offeror and the Company may agree, the Acquisition shall cease and terminate immediately on the Long Stop Date (save and except for some clauses which shall continue to have full force and effect), and thereafter neither the Offeror nor the Company shall have any obligations and liabilities which have been accrued prior to termination towards each other under the Acquisition Agreement.

Acquisition Completion

Acquisition Completion shall take place on the date falling seven (7) Business Days after all the conditions precedent have been satisfied or waived, or such later date as the Offeror and the Company may agree. Acquisition Completion shall take place simultaneously with the Subscription Completion.

Upon Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company.

3. INFORMATION OF THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 5 August 2021 with limited liability. As at the Latest Practicable Date, the Target Company is an investment holding company and its issued share capital is owned as to 51% by the Company and 49% by the Offeror respectively.

The Hong Kong Company

The Hong Kong Company is an investment holding company incorporated in Hong Kong on 17 September 2021 with limited liability. It is directly wholly-owned by the Target Company and directly holds the entire equity interest of the PRC Holding.

The PRC Holding

The PRC Holding is an investment holding company established in the PRC on 29 December 2021 with limited liability. It is directly wholly-owned by the Hong Kong Company and owns the entire equity interest of each of the PRC Subsidiaries.

The PRC Subsidiaries

Each of the PRC Subsidiaries is a company established in the PRC directly or indirectly wholly-owned by the PRC Holding with limited liability.

Principal businesses and business model of the Target Group

The principal business of the Target Group is automobile leasing business where the PRC Subsidiaries (being the lessors) purchase automobiles and lease them to the end users (being the lessees) who will in return make periodic lease payments to the PRC Subsidiaries.

Business operations

The automobile leasing business of the PRC subsidiaries is mainly conducted through Huzhou Jinyuhong. The PRC Subsidiaries established their first business of automobile operating lease in Huzhou, the PRC in March 2020, and in view of the strong momentum of such business, the PRC Subsidiaries have subsequently set up and expanded their operating lease business into new strategic locations in the PRC, including three locations in Ningbo, two locations in Shaoxing, three locations in Jiaxing, one location in Taizhou, one location in Jinhua, one location in Wenzhou and two additional new locations also in Huzhou. In November 2023, the Target Group established two additional subsidiaries (namely Huzhou Zhuohuian and Jiaxing Zhouhuian) in the PRC in order to facilitate and further expand the automobile leasing business, cope with the additional market demand and also enhance the efficiency in management of the automobile leasing business of the Target Group in different locations. The establishment of the two additional subsidiaries was financed by the working capital of the Target Group. The establishment of the two additional subsidiaries is considered to be in line with the development of the principal business of the Target Group.

Major customers and suppliers

The revenue generated by the Target Group mainly represented the income from automobile leasing services and sale of rental automobiles in the PRC.

The customers of the Target Group are all single individual end-users of the automobiles. They have the right to choose before the end of the lease period if they would i) extend the lease period; ii) purchase the automobiles or iii) return the automobiles to the Target Group.

For the years ended 31 March 2021, 2022 and 2023 and for the six months ended 30 September 2022 and 2023, the revenue mainly represented the income from automobile leasing and the sales of rental automobiles.

The top five customers represented approximately 4.0% and 6.6% of the total revenue for the year ended 31 March 2023 and for the six months ended 30 September 2023, respectively, all are single individual end-users who purchase the automobiles after the end of the lease term.

On the other hand, the suppliers of the Target Group are single individual owners of the second-hand automobiles and new automobile dealers.

Solicitation of customers and supplier

The Target Group engages a automobile market operator (the "**Operator**") who has extensive experience in automobile trading and leasing business. The Operator has set up counters within the PRC in areas where the Target Group has established automobile leasing business and assigned business development personnel (the "**BD Personnel**") to each of such counters. For automobile leasing, based on the different leasing options and criteria set by the Target Group, the BD Personnel will first communicate with potential customers to determine the type of lease that matches their needs (i.e. financial leasing or operating leasing) based on various factors (such as mobility, job nature and family background) of each customer. Customers can leverage on Target Group's various established locations and register their automobiles in different provinces due to their higher mobility and select a shorter rental term. On the contrary, for customers that relatively more stable in terms of mobility and family arrangements, the Target Group's operational staff would recommend them to enter into a finance lease arrangement where the lease term is generally 2 to 3 years.

Details of the procedures in processing an automobile lease application are as follows:

Step 1: The BD Personnel will assist the potential customer to complete the following application procedures:

- filling out application forms and collecting customer information, such as copies of identity card, address proof, demographic information, marital status, and source of income, etc.

- sending data and information of such potential customer to the Target Group's back office for due diligence, credit checking and approval.

Step 2:

- The Target Group's credit control staff will assess the customer's credibility by looking into the payroll record, social security records, identity card and address proof, etc.

- The Target Group will identify the suitable lease payment plan for the potential customer in accordance with his/her credibility and repayment ability.

- The BD Personnel will search for the history and the evaluation records of the targeted second-hand car from an independent well-known second-hand car rating website.

Step 3: The BD Personnel will agree the purchase price with the automobile supplier who put the targeted automobile in the automobile retail shops.

Step 4: After the approval of the lease application, the Target Group will prepare the lease contract and the BD Personnel will explain the terms of such contract to the potential customer.

Step 5: Once the potential customer confirms and signs the lease contract, the Target Group will purchase the targeted automobile from the suppliers who put the targeted automobile in the automobile retail shops for sale at the same time.

Step 6: The BD Personnel would take over on-site pre-leasing works such as inspection of automobile and the installation of GPS and WiFi devices in the vehicles to facilitate the Target Group's back office leasing team to regularly monitor the real-time location of automobiles.

The Target Group's back office would handle the application and registration of insurance and car registration.

The Target Group's back office leasing team is also responsible for maintaining and monitoring automobile assets record, chasing any default payment and the repossession of the automobile. The Target Group's back office leasing team would closely monitor the status of each customer and prepare regular operational reports to the management of the Target Group on weekly and monthly basis; and would, where appropriate, report to the management of the Target Group any receivables that are long overdue or any irregularities.

Brief details of automobile

The price of more than 50% of the automobiles under operating leases of the Target Group are ranged from RMB50,000 to RMB100,000, followed by the automobiles with the price ranged from RMB100,000 to RMB150,000, which accounted for approximately 20% of total automobile under operating leases of the Target Group. The major brands of the automobiles under operating leases of the Target Group are Volkswagen, Audi, BMW and Mercedes-Benz, in aggregate accounted for nearly 50% of the total automobiles under operating leases of the Target Group.

Brief terms of normal operating lease contracts

- The term of the operating lease agreements entered into between the Target Group and customers ranges from 1 year to 2 years.
- The customers are usually required to make an initial deposit and make lease payments monthly.
- Customers are responsible for the automobile insurance.

- Customers have the right to choose before the end of the lease period if they would (i) extend the lease period; (ii) purchase the automobiles or (iii) return the automobiles to the Target Group.

Reasons for customers choosing to enter into operating lease contracts with the Target Group

As compared to other methods such as directly purchasing a new car or a second-hand automobile, the operating lease arrangement can provide an opportunity for the customers (i) to lease the target automobile without making full payment upfront; (ii) to lease and experience another automobile after the end of the lease term; (iii) to have hassle-free disposal as customers can simply return the car to the Target Group at the end of the lease term; and (iv) to avoid the risk of obsolescence of the automobile.

Roles and duties of the key employees of the Target Group

The Target Group's key employees include (i) a general manager who has over 12 years of risk managerial experience in automobile industry and is responsible for the overall operation and business development; (ii) a head of credit and risk control department who has extensive experience in credit assessment, payment monitoring and also cooperating debt collection; and (iii) a head of operation who has extensive experience in car operating lease and retail business and also responsible to channel car operators, dealers and responding customer's requirement; and (iv) a head of business development, responsible for the overall business development and customer service.

Also, the Target Group engaged automobile market operator and dealers who have extensive experience in automobile market trading and leasing business to facilitate the operation of the Target Group.

In view of the relevant experience and industry expertise of the employees and the automobile market operator and dealers to facilitate the operation of the Target Group, there are sufficient human resources to meet the business needs of the Target Group.

Capital commitment, capital expenditure and source of funding of the Target Group

As at 31 March 2022 and 2023 and 30 September 2023, the Target Group had no capital commitment.

As at 31 March 2022 and 2023 and 30 September 2023, the Target Group had capital expenditure contracted in respect of acquisition of rental vehicles and in-car equipment amounted to approximately HK$41.3 million, HK$22.5 million and HK$8.3 million, respectively.

The Target Group mainly financed its operation by (i) cash flow from operation and (ii) amounts due to related parties, which mainly include the loan facility up to RMB40,000,000 (equivalent to approximately HK$43,478,000) provided by Shanghai Nanlang (a subsidiary of the Offeror) to Huzhou Jinyuhong (one of the PRC Subsidiaries).

Market landscape and competition of the Target Group

The potential growth and the opportunities of automobile leasing market in the PRC are stated below:

- with the PRC government's policies, many foreign firms have set up numerous factories and employed a significant number of domestic workers in PRC. Currently, PRC is the largest recipient of foreign direct investment across the globe, receiving inflows of roughly USD189.1 billion in 2022;

- the size of the PRC automobile rental market has grown from RMB50.9 billion in 2018 to RMB63.4 billion in 2022, representing a compound annual growth rate ("CAGR") of approximately 5.7%;

- the automobile rental users are mainly centralized in the southeast coastal and southwest regions of the PRC and the users in Zhejiang province accounted for approximately 6.0% of total users in the PRC;

- the market size of automobile operating lease industry in the PRC is expected to reach RMB82.7 billion in 2027; and

- at present, there are approximately 168 million people in the PRC who have car licenses but do not own a car. With the continuous improvement of user experience, the demand for automobile rentals will be further released in the future.

The competitors of the Target Group are mainly other operating lease service providers around Zhejiang Province area. To maintain and develop its market share in the automobile operating leasing market, the Target Group provides its customers with a more competitive rental price and a longer leasing period.

Financial Information

Set out below is the combined audited financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards.

	For the year ended 31 March 2022	For the year ended 31 March 2023	For the six months ended 30 September 2023
	HK$'000	*HK$'000*	*HK$'000*
Net Profit before taxation and extraordinary items	249	7,439	970
Net Profit after taxation and extraordinary items	220	7,466	960

According to the audited financial information of the Target Group, the net asset value of the Target Group as of 30 September 2023 was approximately HK$15,980,000.

Upon Acquisition Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the Hong Kong Company, the PRC Holding and each of the PRC Subsidiaries will become an indirect wholly-owned subsidiary of the Company.

Please refer to Appendix II for the audited financial information on the Target Group for the years ended 31 March 2021, 2022 and 2023 and for the six months ended 30 September 2023 under Hong Kong Financial Reporting Standards and the report on them by the auditor of the Company.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

Enhancing earnings attributable to the owners of the Company

For the years ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2023, the Target Group recorded a revenue of approximately HK$10.0 million, HK$31.0 million, HK$42.1 million and HK$19.7 million respectively. The Target Group recorded a slight decrease in its revenue from approximately HK$21.8 million for the six months ended 30 September 2022 to approximately HK$19.7 million for the six months ended 30 September 2023. This was mainly attributable to the implementation of more stringent risk control measures, thus leading to fewer automobile leasing applications being accepted by the Target Group. During the six months ended 30 September 2023, the Target Group also tightened its credit control measures, which led to an increase in the number of cases of early termination of lease by customers who could not make lease payment on time. As depreciation expenses would be charged in one lump-sum upon lease termination instead of being amortised over the original lease period, the Target Group recorded a higher cost of sales for the six months ended 30 September 2023. Such higher cost of sales, coupled with the drop in revenue, rendered the Target Group to record a decrease in profit for the six months ended 30 September 2023 as compared to the corresponding period of the preceding financial year. Nevertheless, it is noted that the Target Group has demonstrated a trend of growth in revenue and remained profitable throughout the recent financial years.

Upon Acquisition Completion, the profits of the Target Group would be fully captured and be attributable to the owners of the Company. Thus, it is anticipated that the Acquisition will enable the Shareholders to further benefit from the economic returns brought by the Target Group in the long run.

The growth prospect of the Target Group

Market potential and future business plans

Desiring the benefits of car use, a large and growing number of Chinese consumers are becoming licensed drivers. However, due to car purchase restrictions in many Chinese cities, the considerable cost of car ownership, many licensed drivers are prevented from owning a car. As a result, the discrepancy between the number of licensed drivers and the number of owned cars is expected to continue to grow. This large and widening gap functions as a powerful driver for PRC's automobile rental industry.

Furthermore, benefited from a continuous economic growth in the past five years, the per capita disposable income in urban households in the PRC surged at a CAGR of approximately 5.9% from approximately RMB39,251 in 2018 to approximately RMB49,283 in 2022 according to the National Bureau of Statistics of China. In particular, the per capita disposable income in urban households in Zhejiang Province (being where the Target Group's business is currently located) has risen from approximately RMB62,699 to approximately RMB71,268 from 2020 to 2022 according to the Zhejiang Statistical Yearbook 2023 prepared by the Zhejiang Provincial Bureau of Statistics. With increasing per capita disposable income, it is anticipated that the demand for automobile operating lease services (on both provincial and national levels) will grow.

In view of such market potential, the Target Group has expanded its business and operation locations to other cities of the Zhejiang Province, such as Hangzhou and Jinhua following the Previous Acquisition. The Target Group has also tapped into the markets of leasing first-hand and electric vehicles in 2023, instead of just focusing on leasing second-hand vehicles. To extend its business reach in Zhejiang Province, the Target Group has established two new subsidiaries in Huzhou and Jiaxing in November 2023. Going forward, the Target Group plans to further expand its operating lease business to Jiangsu Province and Fujian Province.

Business strategy of the Target Group

The Target Group established its first business of automobile operating lease in Huzhou and subsequently set up and expanded its lease business into new strategic locations in the PRC, including three locations in Ningbo, two locations in Shaoxing, three locations in Jiaxing, one location in Taizhou, one location in Jinhua, one location in Wenzhou and two locations in Huzhou where are located in first and second-tier cities in the Zhejiang Province. These service locations are strategically deployed to cover major transportation hubs, such as airports and train stations, key tourist destinations, major business districts and residential communities and the Target Group aims to provide quality experience by offering its customers a wide range of vehicle selection, excellent vehicle condition and a "hassle-free" rental process. Also, the convenience of locations for picking up and returning the cars is one of the important criteria of the car rental users in the PRC for selecting the car rental service providers. In line with such business strategy, the Target Group will continue to deliver quality service to its customers and will strive to set up new service spots in strategic locations of first-tier and second-tier cities in Zhejiang Province as well as that of other provinces of the PRC to effectively capture further business opportunities.

Having considered the above, it is believed that the Target Group's business will continue to grow, and greater returns are expected.

Leveraging the Target Group's core competencies and creating further synergies

The Group has been engaging in (1) leasing services in the PRC; and (2) value added services including due diligence, credit investigation and debt collection services in Hong Kong, the PRC and Singapore, in order to complement our leasing services creating synergy for the Group's business operations. Under the current economic downturn and various uncertainties, the Group focus to process loans that are generally smaller in size with liquid leased assets. Automobile leasing allows the Group to have the ability to quickly repossess the leased assets and release them to other customers in order to effectively manage credit risk and reduce the risk of defaults.

Many established leasing companies are now positioned as integrated leasing business platforms with diversified business lines, various products and their associated value added services, dedicated to providing comprehensive leasing services to customers with various funding demands. The provision of intergrated leasing services enables customers to have greater flexibility in leasing based on their business needs, market condition as well as financial capability.

The Target Group's management team includes (i) a general manager who has over 12 years of risk managerial experience in automobile industry; (ii) a head of credit and risk control department who has extensive of experience in legal and debt collection service; and (iii) a head of operation who has extensive experience in operation management and retail business; and (iv) a head of business development who is responsible for the overall business development and customer services. The experienced management team of the Target Group are highly responsive to market conditions, closely monitoring the market conditions and sometimes having to adjust the pricing strategies in response to the change of market.

Leveraging on the existing resources of the Target Group in automobile leasing business and overseeing the overall management, strategic planning, execution and development of the business, the Directors take the view that the expertise and experience of the management team of the Target Group would be beneficial to the Group's business development by expanding the scale in automobile leasing business.

Further, upon completion of the Acquisition, it is expected that the Enlarged Group would be able to achieve financial economies of scale and would be more likely to obtain external financing as a whole on more favourable terms.

All in all, it is expected that the Acquisition would enhance the overall competitiveness of the Group, and to further integrate the Group's ecosystem, development as well as financing related solutions as a whole, positioning it favourably to seize market opportunities and strengthen its market presence in the automobile leasing industry in the PRC, thereby generating favourable returns to the Group.

Having considered the above-mentioned benefits to the Group, the Board (excluding those Directors who have abstained from voting) believes that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

5. SUBSCRIPTION AGREEMENT

Date: 30 October 2023 (after trading hours)

Parties:
(a) the Company, as the issuer; and

(b) the Offeror, as the subscriber.

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue and allot, and the Offeror conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK$0.38 for each Subscription Share.

As aforementioned, the Offeror is a controlling shareholder and a connected person of the Company. For further details of the parties, please refer to sections headed "Information of the Group" and "Information of the Offeror" below.

Consideration

As at the Latest Practicable Date, the Offeror has advanced the following Loans to the Company:

(a) an unsecured term loan facility made available by the Offeror to the Company with an aggregate principal amount of up to HK$50,000,000 at an interest rate of 6% per annum and repayable on 20 October 2024 pursuant to a loan agreement dated 21 October 2021 made between the Offeror and the Company; and

(b) an unsecured loan note issued by the Company to the Offeror in the principal amount of HK13,188,500 at an interest rate of 4.58% per annum with the maturity date falling on 3 March 2025 pursuant to a loan note instrument dated 4 March 2022 made between the Company and the Offeror.

As at the Latest Practicable Date, the total outstanding principal amount and all accrued and unpaid interests of the Loans amounted to HK$43,342,166.

The aggregate consideration for the issue and allotment of the Subscription Shares shall be offset against the Loan Capitalisation Amount (i.e. comprising the total outstanding principal amount and all accrued and unpaid interests of the Loans up to and including the Completion Date) with effect at Subscription Completion. The issue and allotment of the Subscription Shares on the Completion Date will be deemed as an absolute discharge and full and final satisfaction and settlement of the Loans, and the Offeror shall no longer have any rights, title, interests or benefits in or in relation to the Loans under the relevant Loan Documents.

The Subscription Shares

The total number of Subscription Shares to be issued to the Offeror shall be calculated by dividing the Loan Capitalisation Amount by the Subscription Price.

For the purpose of illustration, assuming that the Completion Date falls on the Long Stop Date (i.e. 31 March 2024), the total number of Subscription Shares to be issued to the Offeror will be 113,156,379 (based on the Loan Capitalisation Amount of HK$42,999,424 on the Long Stop Date divided by the Subscription Price), which will have an aggregate nominal value of HK$1,131,563.79, and will represent:

(a) approximately 26.89% of the existing issued share capital of the Company as at the Latest Practicable Date; and

(b) approximately 19.51% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Subscription Shares (assuming that there are no other changes in the share capital of the Company between the date of the Subscription Agreement and the Completion Date other than the issue and allotment of the Consideration Shares and the Subscription Shares).

The Subscription Shares shall, when allotted and issued, rank *pari passu* in all respects with all other Shares then in issue.

The Subscription Shares will be issued and allotted pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Price

The Subscription Price of HK$0.38 per Subscription Share, representing:

(a) a discount of approximately 9.52% to the closing price of HK$0.420 per Share as quoted on the Stock Exchange on 30 October 2023, being the Last Trading Day;

(b) a discount of approximately 9.09% to the average closing price of approximately HK$0.418 per Share based on the daily closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;

(c) a discount of approximately 8.87% to the average closing price of approximately HK$0.417 per Share based on the daily closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day; and

(d) a premium of approximately HK$0.44 per Share over the Company's audited consolidated net liabilities attributable to the Shareholders of approximately HK$0.06 per Share as at 31 March 2023, calculated by dividing the Group's audited consolidated net liabilities attributable to the Shareholders of approximately HK$25,000,000 as at 31 March 2023 by 420,759,000 Shares in issue as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Offeror after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions, and the issue price per Consideration Share of HK$0.38.

Conditions precedent

Subscription Completion is conditional upon fulfilment of the following conditions:

(a) the passing of the ordinary resolutions by the Independent Shareholders at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the issue and allotment of the Subscription Shares and the grant of the Specific Mandate for the issue and allotment of the Subscription Shares;

(b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Subscription Shares on the Stock Exchange; and

(c) conditions precedent (a) to (e) of the Acquisition Agreement (as set out in the section headed "Acquisition Agreement – Conditions precedent" above) having been satisfied (or waived, if applicable).

The Offeror and the Company shall use all their best commercial efforts to procure satisfaction of all of the conditions precedent by 4:00 p.m. on the Long Stop Date. None of the above conditions precedent shall be waived by the parties.

If the conditions precedent have not been satisfied at or prior to 4:00 p.m. on the Long Stop Date, or such later date as the Offeror and the Company may agree, the Subscription Agreement shall terminate immediately on the Long Stop Date (save and except the surviving provisions and without prejudice to the rights and/or obligations of any party in respect of any antecedent breach), and the Offeror and the Company shall be released and discharged from their respective obligations under the Subscription Agreement.

Subscription Completion

Subscription Completion shall take place on the date falling seven (7) Business Days after all the conditions precedent have been satisfied, or such later date as the Company and the Offeror may agree. Subscription Completion shall take place simultaneously with the Acquisition Completion.

6. REASONS AND BENEFITS FOR THE SUBSCRIPTION

Through the Loan Capitalisation, the finance costs of the Group will decrease significantly. Hence, after the completion of the Subscription, both the capital structure and the financial position of the Group will be improved and the net current liabilities position will turnaround into a net current asset position. As such, with a strengthened financial position to enhance our general working capital, the Group will be able to leverage on its resources to develop and expand its leasing business.

In light of the above, the Directors (excluding those Directors who have abstained from voting) consider that the terms of the Subscription Agreement are fair and reasonable, and that the Subscription is in the interests of the Company and Shareholders as a whole.

7. EQUITY FUND-RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund-raising activity in the twelve months immediately before the Latest Practicable Date.

8. INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of (i) leasing services in the PRC; and (ii) value added services including due diligence, credit investigation and debt collection services in Hong Kong, the PRC and Singapore.

9. INFORMATION OF THE OFFEROR

The Offeror is an investment holding company and a public company incorporated in Hong Kong with limited liability. The listing of the shares of the Offeror on the Stock Exchange has been withdrawn with effect from 2 August 2021.

The principal activities of the Offeror and its subsidiaries are (i) the provision of property technology services in the PRC; and (ii) the provision of financial services business including financing and finance lease services, factoring services and automobile leasing services in the PRC.

As at the Latest Practicable Date, two discretionary trusts namely Allied Luck Trust and Aceyork Trust, which hold 855,808,725 shares and 719,656,792 shares of the Offeror, representing approximately 30.99% and 26.06% of the issued share capital of the Offeror, respectively. The trustees and the settlors of these trusts were Mr. Wong Yu Lung and Mrs. Wong Fang Pik Chun and the beneficiaries of these trusts were Ms. Michelle Wong and Ms. Jacqueline Wong and their children. As at the Latest Practicable Date, (i) except for the Offeror Concert Group, there are approximately 200 registered shareholders of the Offeror, which include HKSCC Nominees Limited; (ii) the remaining shareholders of the Offeror are those who holds the shares of the Offeror immediately before the withdrawal of the listing of the shares of the Offeror; and (iii) none of the remaining shareholders of the Offeror holds more than 5% shareholding in the issued share capital of the Offeror. Mr. Wong Charles Yu Lung, Ms. Michelle Wong and Mr. David Wong are the directors of the Offeror. Mr. David Wong also acts as the chief executive officer of the Offeror.

Ms. Michelle Wong and Ms. Jacqueline Wong are daughters of Mr. Wong Charles Yu Lung and Mrs. Wong Fang Pik Chun, each of the aforesaid persons being a controlling shareholder of the Company. Ms. Michelle Wong, Ms. Jacqueline Wong and Mr. David Wong are non-executive Directors.

10. IMPLICATION UNDER THE LISTING RULES

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

As at the Latest Practicable Date, the Offeror is interested in an aggregate of 152,055,903 Shares (whereby it (i) directly owns 8,250,000 Shares; and (ii) owns the entire issued share capital of Perfect Honour which directly owns 143,805,903 Shares), representing approximately 36.14% of the existing issued Shares. The Offeror is thus a controlling shareholder and a connected person of the Company. As such, the entering into of each of the Acquisition Agreement and the Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM. The Offeror and its associates and parties acting in concert with it will abstain from voting on the resolutions at the EGM.

Pursuant to Chapter 14A of the Listing Rules, an Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lie Chi Wing, Mr. Ng Wing Chung Vincent and Mr. Ng Yuk Yeung Paul, has been established to advise the Independent Shareholders in respect of the Acquisition Agreement and the Subscription Agreement. As disclosed in the Company's announcement dated 21 November 2023, Central China International Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Acquisition Agreement and the Subscription Agreement. The members of the Independent Board Committee will make a recommendation to the Independent Shareholders in respect of the Acquisition Agreement and the Subscription Agreement as to whether their terms are, or are not, fair and reasonable.

Ms. Jacqueline Wong and Ms. Michelle Wong are both beneficiaries of two discretionary trusts, namely Allied Luck Trust and Aceyork Trust, which together are (i) interested in approximately 40.95% of the issued share capital of the Company; and (ii) interested in approximately 57.05% of the issued share capital of the Offeror, and Mr. David Wong, a non-executive Director and a director and the chief executive officer of the Offeror, they are considered to have material interests in the Acquisition and the Subscription, therefore they have abstained from voting on the Board resolutions approving the Acquisition and the Subscription and the transactions contemplated thereunder. The independent non-executive Directors will express their view after considering the advice from the Independent Financial Adviser and they have abstained from voting on the Board resolutions approving the Acquisition and the Subscription and the transactions contemplated thereunder. Save for the aforesaid, no other Directors have abstained from voting on the said Board resolutions.

11. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Acquisition Completion, the Target Company will become a wholly owned subsidiary of the Company.

Before the Acquisition, the Target Company is already a 51%-owned subsidiary of the Company. The assets, liabilities and the financial results of the Target Group have been consolidated into the consolidated financial statements of the Group.

For details of the unaudited pro forma financial information of the Enlarged Group, please refer to Appendix IV to this circular.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming that Acquisition Completion had taken place on 31 March 2023, there is no change on the total assets since the assets had been consolidated in the consolidated financial statements of the Group. The total liabilities would be increased by HK$1,000,000 which represents the estimated legal and professional fees payables incurred in the Acquisition.

Hence, the total assets of the Group would have approximately HK$93.6 million on a pro forma basis, the total liabilities of the Group would have approximately HK$119.6 million on a pro forma basis, and the net liabilities of the Group would have approximately HK$26.0 million on a pro forma basis.

Earnings

Based on the accountant's report of the Target Group set out in Appendix II to this circular, the Target Group recorded a profit of approximately HK$7.5 million and HK$1.0 million for the year ended 31 March 2023 and the six months ended 30 September 2023. The earnings attributable to the owners of the Company would be increased by approximately HK$3.7 million (i.e. HK$7.5 million x 49%) as if the Acquisition Completion had taken place on 31 March 2023, since such portion of the profits was originally attributable to the non-controlling interests holding the equity interests of 49% prior to the Acquisition Completion and it would be captured and attributable to the owners of the Company after the Acquisition Completion.

In view of the diversification of the Group's business with regular revenue and the growth prospect of the automobile leasing business, as detailed in the above section headed ''Reasons for and benefits of the Acquisition'', it is expected that earnings of the Group will be enhanced in the long run after Acquisition Completion.

12. CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The issue and allotment of Consideration Shares and Subscription Shares will not result in a change of control of the Company. The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Acquisition Completion and Subscription Completion:

Shareholders	**As at the Latest Practicable Date**		**Immediately upon the Acquisition Completion and Subscription Completion** *(Note 4)*	
	Number of Shares held	*Approximate % of Shares in issue*	*Number of Shares held*	*Approximate % of Shares in issue*
Offeror and parties acting in concert with it				
– Offeror *(Note 1)*	8,250,000	1.96	167,459,011	28.88
– Parties acting in concert with the Offeror *(Note 1, 2)*	164,040,145	38.99	164,040,145	28.28
Subtotal	172,290,145	40.95	331,499,156	57.16
Mr. Xie Xiaoqing (''Mr. Xie'') *(Note 3)*	51,207,600	12.17	51,207,600	8.83
Public Shareholders	197,261,255	46.88	197,261,255	34.01
Total	420,759,000	100.00	579,968,011	100.00

Note:

1. In addition to these interest in Shares, Solomon Glory Limited ("Solomon Glory"), a wholly-owned subsidiary of the Offeror, holds a short position in 38,503,380 Charged Shares, which are held by Yong Hua International Limited ("Yong Hua") and charged to Solomon Glory. The Charged Shares are subject to an order issued on 13 March 2019 by The High Court of Hong Kong, details of which are set out in the announcement of the Company dated 4 July 2019. Pursuant to the court order, the Charged Shares shall not be sold at a price not more than 10% discount to the average closing prices of the Shares as quoted on the Stock Exchange for the previous 10 consecutive trading days prior to the date of sale of such Charged Shares or any of them. As at the Latest Practicable Date, none of the Charged Shares has been sold by Yong Hua. Please refer to Note 3 below for further details.

2. Such Shares include (i) 143,805,903 Shares (representing approximately 34.18% of the issued share capital of the Company) held by Perfect Honour, a directly wholly-owned subsidiary of the Offeror, (ii) 10,127,176 Shares (representing approximately 2.41% of the issued share capital of the Company) held by Legend Crown; and (iii) 10,107,066 Shares (representing approximately 2.40% of the issued share capital of the Company) held by Plenty Boom. Legend Crown and Plenty Boom are wholly-owned by Ace York Management Trust (a discretionary trust founded by Ms. Jacqueline Wong), of which the trustee is Ace York Investment and the beneficiaries are Ms. Michelle Wong and Ms. Jacqueline Wong.

3. According to the information available based on the disclosure of interest forms, these Shares include (i) 2,117,370 Shares (representing approximately 0.50% of the issued share capital of the Company) held by Capital Grower Limited; (ii) 10,586,850 Shares (representing approximately 2.52% of the issued share capital of the Company) held by Clifton Rise International Limited; and (iii) 38,503,380 Charged Shares (representing approximately 9.15% of the issued share capital of the Company) held by Yong Hua, which are all companies wholly-owned by Mr. Xie.

4. The figures included in the above table is based on the assumption that the Completion Date falls on the Long Stop Date (i.e. 31 March 2024), the total number of Subscription Shares to be issued to the Offeror will be 113,156,379 (based on the Loan Capitalisation Amount of HK$42,999,424 on the Long Stop Date divided by the Subscription Price), which will have an aggregate nominal value of HK$1,131,563.79.

13. EGM

The EGM will be held by the Company at 10:30 a.m. on Tuesday, 9 January 2024 at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong for the Independent Shareholders to, among other things, consider and, if thought fit, the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder.

Pursuant to the Listing Rules, any Shareholder who has a material interest in the Acquisition, the Subscription and the transactions contemplated thereunder and his close associates are required to abstain from voting in relation to the relevant resolution(s). The Offeror and its associates and parties acting concert with it (including Ms. Michelle Wong and Ms. Jacqueline Wong), which together are interested in 172,290,145 Shares, representing approximately 40.95% of the total number of Shares in issue as at the Latest Practicable Date, will abstain from voting on the resolution(s) approving the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder has any material interest in the Acquisition, and therefore no other Shareholder is required to abstain from voting on the relevant resolutions approving the Acquisition Agreement, the Subscription Agreement and transactions contemplated thereunder at the EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of it/he/she Shares to a third party, either generally or on a case-by-case basis.

All resolutions to be proposed at the EGM will be voted on by poll. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to read the notice and to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person and any adjourned meeting thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

14. CLOSURE OF REGISTER OF MEMBERS

The Hong Kong register of members of the Company will be closed from 4 January 2024, Thursday, to 9 January 2024, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of Shares may be registered on those dates. The record date for determining the entitlements of the Shareholders to attend and vote at the EGM is 9 January 2024, Tuesday. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on 3 January 2024, Wednesday.

15. RECOMMENDATIONS

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) considers that terms of the Acquisition Agreement and the Subscription Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution for approving (i) the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder and (ii) the granting of the Specific Mandate to issue and allot the Consideration Shares and the Subscription Shares to be proposed at the EGM.

16. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the additional information as set out in the appendices to this circular.

WARNING

Shareholders and potential investors of the Company should note that Acquisition Completion and Subscription Completion are subject to the satisfaction of the relevant conditions precedent. Therefore, they 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
China Rongzhong Financial Holdings Company Limited
Wong Emilie Hoi Yan
Executive Director

RONGZHONG

CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED
中國融眾金融控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03963)

15 December 2023

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION CONDITIONAL AGREEMENT IN RELATION TO THE ACQUISITION OF THE REMAINING 49% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) CONNECTED TRANSACTION CONDITIONAL AGREEMENT IN RELATION TO THE SUBSCRIPTION FOR NEW SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company to the Shareholders dated 15 December 2023 (the "Circular"), of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular, unless the context requires otherwise.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Central China International Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the advice from the Independent Financial Adviser, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 45 to 88 of the Circular.

Having considered the terms of the Acquisition Agreement and the Subscription Agreement, the principal factors and reasons considered by the Independent Financial Adviser and the advice of the Independent Financial Adviser, we are of the opinion that, although the Acquisition and the Subscription are not conducted in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and the Acquisition and the Subscription are in the interests of the Company and the Shareholders as a whole.

On the basis above, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,
the Independent Board Committee

Mr. Lie Chi Wing **Mr. Ng Wing Chung Vincent** **Mr. Ng Yuk Yeung Paul**
Independent non-executive Directors

The following is the full text of a letter of advice from Central China International Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Subscription, which has been prepared for the purpose of incorporation in this circular.

中州國際融資有限公司
CENTRAL CHINA INTERNATIONAL CAPITAL LIMITED

15 December 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION CONDITIONAL AGREEMENT IN RELATION TO THE ACQUISITION OF THE REMAINING 49% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) CONNECTED TRANSACTION CONDITIONAL AGREEMENT IN RELATION TO THE SUBSCRIPTION FOR NEW SHARES UNDER SPECIFIC MANDATE

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition and the Subscription, the details of which are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 15 December 2023 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 30 October 2023 (after trading hours), the Company entered into the Acquisition Agreement with Goldbond Group Holdings Limited (金榜集團控股有限公司) ("**Goldbond**"), a controlling Shareholder who directly and indirectly had an aggregate interest of approximately 36.14% in the Company as at the date of the Acquisition Agreement and the Latest Practicable Date, pursuant to which the Company conditionally agreed to acquire, and Goldbond conditionally agreed to sell the Acquisition Shares, representing 49% of the issued share capital in the Target Company (a non wholly-owned subsidiary of the Company), at the consideration of HK$17,500,000, to be satisfied by the issue and allotment of a total of 46,052,632 new Shares to Goldbond at HK$0.38 each. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

In addition, on 30 October 2023 (after trading hours), the Company further entered into the Subscription Agreement with Goldbond, pursuant to which Goldbond conditionally agreed to subscribe for, and the Company conditionally agreed to issue the Subscription Shares at HK$0.38 each to set off against the Loan Capitalisation Amount, representing the total outstanding principal amount and accrued and unpaid interests owed by the Company to Goldbond under the Loan Facility and the Loan Note.

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is 25% or more but less than 100%, the entering into of the Acquisition Agreement constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Moreover, as Goldbond is a controlling Shareholder and thus a connected person of the Company, the entering into of each of the Acquisition Agreement and the Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM. Goldbond, its associates and any party acting in concert with it will abstain from voting on the resolutions at the EGM.

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Lie Chi Wing, Mr. Ng Wing Chung Vincent and Mr. Ng Yuk Yeung Paul, has been established to advise the Independent Shareholders in respect of the Acquisition and the Subscription. We, Central China International Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Save for our engagement as the Independent Financial Adviser and our concurrent engagement as independent financial adviser to advise the independent board committee and the independent shareholders of the Company on the Offers, there was no other engagement between the Company and us in the past two years. Apart from normal professional fees paid or payable to us in connection with our appointment as the Independent Financial Adviser and the independent financial adviser in connection with the Offers, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we consider we are independent pursuant to Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the Acquisition and the Subscription.

B. BASIS OF OUR OPINION

In forming our opinion and recommendation, we have relied on (i) the information, facts and representations and opinions contained or referred to in the Circular, (ii) the information and facts provided by the Company, its advisers, the executive Directors and the management of the Company and its subsidiaries (the "**Management**"), (iii) the representations and opinions of the Directors and the Management, and (iv) our review of relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date, and that all such statements of belief, opinions, expectations and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have sought and received confirmation from the Company that no material facts have been withheld or omitted from the information and representations provided and the opinions expressed, and that all information, facts, representations and opinions provided/expressed to us are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information, facts, representations and opinions provided to us by the Directors and the Management and/or the advisers of the Company, or that any relevant material facts have been withheld or omitted from the information provided, or the reasonableness of the opinions and representations provided/expressed to us by the Directors and the Management. Shareholders will be notified if there is any material change to such information and representations and our opinions contained in this letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We consider that we have been provided with sufficient information available and have taken all reasonable steps to reach an informed view and to provide a reasonable basis for our opinion in compliance with Rule 13.80 of the Listing Rules. We however have not conducted any independent verification of the information included in the Circular and/or provided to us by the Company, its advisers, the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or Goldbond (as vendor of the Acquisition and subscriber of the Subscription) or any of their respective subsidiaries or associates.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Acquisition and the Subscription, and except for 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.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Acquisition and the Subscription, we have taken into consideration the principal factors and reasons as set out below.

1. Information on the Group

1.1 Background of the Group

The Group is principally engaged in the provision of (i) leasing services in the PRC, and (ii) related valued added services including the provision of due diligence, credit investigation and debt collection services in Hong Kong, the PRC and Singapore.

The Group has been engaged in the finance lease business since its establishment in 2008 and had operated primarily in the Hubei Province of the PRC up to the year ended 31 March 2021. As provided in the Company's annual report for the year ended 31 March 2022, the Group had taken strategic steps during the financial year to reform its leasing operations, including (without limitation) diversifying its leasing operations outside of the Hubei Province and diversifying its business risks through more liquid assets with generally smaller loan size. In this connection, the Company announced on 30 September 2021 that a wholly-owned subsidiary of the Company established in April 2021 to engage in the provision of automobile operating lease services in Wenzhou, the PRC had commenced business operations. According to the Management, the formation of this Wenzhou subsidiary was a strategic step for the Group to diversify its sources of income generated from its historical leasing services.

Following the commencement of business operations of the above Wenzhou subsidiary, on 26 October 2021 the Company further announced the acquisition of 51% of the issued share capital of the Target Company from Goldbond at a consideration of HK$17,000,000 (the "**2022 Acquisition**"). The said acquisition was approved by the Independent Shareholders and completed in March 2022, pursuant to which the Target Company became a non-wholly owned subsidiary of the Company. As disclosed in the circular of the Company in connection with the 2022 Acquisition (the "**2022 Acquisition Circular**"), the consideration for the 2022 Acquisition was determined with reference to, among other things, the valuation of the then Target Group as at 30 November 2021 of approximately HK$39,000,000 performed by an independent valuer. The reasons for and benefits of the 2022 Acquisition was provided in the 2022 Acquisition Circular, among those it was considered that the 2022 Acquisition was a direct and imminent way to enhance the Group's level of operations and diversify its business risks, and that after completion of the 2022 Acquisition the then Target Group (as a non-wholly owned subsidiary of the Group) would be expected to continue to bring readily available revenue to the Group.

Aside from the above, the Group also took a strategic step during the year ended 31 March 2022 to expand into the provision of debt collection and credit investigation services through acquisition, as further detailed in the circular of the Company dated 30 June 2021, with the aim of further strengthening its leasing operations.

In addition to the above strategic steps in reforming and enhancing its leasing operations, the Group also underwent a major and connected disposal (the "**2022 Disposal**") involving, among other things, the disposal of Rongzhong Capital Holdings Group Limited and its two wholly-owned subsidiaries, Rongzhong International Finance Lease Holdings Limited and Rongzhong International Financial Leasing Co., Ltd. (together the "**Disposed Group**"), further details of which were set out in the circular of the Company dated 24 February 2023 (the "**2022 Disposal Circular**"). As disclosed in the 2022 Disposal Circular, the Disposed Group was principally engaged in the provision of financial leasing services in the Hubei Province of the PRC. Based on the unaudited consolidated financial information of the Disposed Group as disclosed in the 2022 Disposal Circular, for the two years ended 31 March 2021 and 2022 and the six months ended 30 September 2022, the Disposed Group recorded (i) unaudited revenue of HK$15.8 million, HK$6.1 million and HK$nil, (ii) unaudited net loss after tax of HK$102.4 million, HK$613.1 million and HK$34.1 million, and (iii) unaudited net liabilities of HK$299.7 million, HK$946.6 million and HK$885.5 million, respectively.

According to the 2022 Disposal Circular, upon completion of the 2022 Disposal, assets and liabilities of the Disposed Group with an aggregate unaudited net liability value of HK$946.6 million at 31 March 2022 (including without limitation bank borrowings of approximately HK$706.0 million) would be disposed of. The 2022 Disposal was consequently approved by the Independent Shareholders and completed in March 2023. As disclosed in the 2022 Disposal Circular, at the relevant time the Directors considered the 2022 Disposal to be the most viable and cost-effective option to improve the financial position and liquidity of the Company, allowing the Group to offload the upkeeping burden of the Disposed Group (which was in a substantial net liability position and did not generate any revenue for the Group in the six months ended 30 September 2022) and significantly reduce its finance costs.

1.2 Historical Financial Information of the Group

1.2.1 Operating results and financial position of the Group

Set out below is a summary of the Group's operating results and financial position as extracted from the annual report of the Company for the year ended 31 March 2023 (the "**2023 Annual Report**") and the interim results announcement of the Company for the six months ended 30 September 2023:

	For the year ended 31 March		For the six months ended 30 September	
	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Segment revenue	35,120	84,833	45,509	49,197
– Leasing services	10,498	48,017	26,783	24,045
– Debt collection and credit investigation services	24,622	36,816	18,726	25,152
Segment results	(547,132)	(114,744)	(19,759)	5,763
– Leasing services	(541,504)	(100,379)	(11,903)	1,569
– Debt collection and credit investigation services	(5,628)	(14,365)	(7,856)	4,194
– Profit/(loss)	(567,813)	(123,316)	(22,323)	1,293

	As at 31 March		As at 30 September
	2022	2023	2023
	HK$000	*HK$000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Net current liabilities	(777,825)	(39,259)	(21,131)
Net liabilities	(695,884)	(25,000)	(20,525)

Revenue of the Group increased substantially from approximately HK$35.1 million for the year ended 31 March 2022 to approximately HK$84.8 million (an increase of approximately HK$49.7 million or 141.6%) for the year ended 31 March 2023 mainly as a result of the increase in revenue from the Group's leasing services. A vast majority of such increase, more specifically approximately HK$42.1 million or 84.7%, was in turn contributed from the Target Group with its full-year revenue consolidated into the Group since completion of the 2022 Acquisition in March 2022. With the full-year revenue contribution from the Target Group, the Group's leasing services also became the majority revenue contributor in the year ended 31 March 2023, with its proportional revenue contribution (approximately 56.6%) surpassing that of the Groups debt collection and credit investigation services (approximately 43.4%).

Notwithstanding its improvement in revenue, the Group still reported a net loss of HK$123.3 million for the year ended 31 March 2023, albeit a substantial reduction from a net loss of HK$567.8 million for the year ended 31 March 2022. While a vast majority of the reported net loss for both of the financial years were arising from the Group's leasing services (which in turn were mainly resulting from provisions for expected credit losses as recorded under the segment results in the annual report of the Company for the year ended 31 March 2023), we understand from the Management that such segment losses were primarily attributable to the impairment losses on financial assets in respect of SMEs finance lease customers of the Group, which, as advised by the Management (and as can be inferred from the financial results of the Target Group as shown in the section headed "Accountants' Report on the Target Group" as set out in Appendix II to the Circular), were unrelated to the Target Group. As most of such financial assets were fully impaired, there will no longer be any impact on the results of the Group going forward.

As disclosed in the interim results announcement of the Company dated 30 November 2023, revenue of the Group increased from approximately HK$45.5 million for the six months ended 30 September 2022 to approximately HK$49.2 million (an increase of approximately HK$3.7 million or 8.1%) for the six months ended 30 September 2023, which was mainly attributable to the Group's effective implementation of its strategic move to expand into new operating locations and initiation to process loans with more liquid assets and generally smaller in loan size, hence, minimizing credit risk while increasing activities in leasing operations. Segment revenue from debt collection and credit investigation services increased as the Group provided value-added services including due diligence, credit assessment, investigation and debt recovery services to complement the development of the Group's leasing services and to further strengthen the Group's leasing operations by creating an ecosystem.

The Group also reported a net profit of approximately HK$1.3 million for the six months ended 30 September 2023 as compared to a net loss of approximately HK$22.3 million for the six months ended 30 September 2022, which was mainly due to (i) the recognition of reversal of impairment losses and expected credit losses for the six months ended 30 September 2023, as compared to a provision of impairment losses and expected credit losses for the six months ended 30 September 2022, which in turn was mainly due to changes in recoverability of certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) decrease in finance costs which was primarily associated with the Disposed Group for the six months ended 30 September 2022.

Based on the foregoing, we consider the Group's leasing services to be material to the Group's overall financial performance, and the Target Group had contributed materially and positively to the said segment and the overall results of the Group since the year ended 31 March 2023, being the first full financial year since its results were consolidated into the Group.

Based on our discussion with the Management, the Group has also been working hard to improve its financial position, including the 2022 Disposal which was completed on 17 March 2023. More particularly, as a result of the 2022 Disposal, net current liabilities of the Group reduced from HK$777.8 million to HK$39.3 million, and total net liabilities of the Group reduced from HK$695.9 million to HK$25.0 million, with bank borrowings reduced from HK$710.5 million to HK$3.3 million, between 31 March 2022 and 2023, respectively. As at 30 September 2023, net current liabilities and total net liabilities of the Group further reduced to HK$21.1 million and HK$20.5 million, respectively. On the other hand, the Group had made provisions for impairment losses for most of its outstanding lease receivables and receivables arising from sale and leaseback arrangements as at 31 March 2023. While we noted that as at 30 September 2023 the Group only had cash and cash equivalents of HK$15.3 million which was insufficient to cover the aggregate amount of HK$72.1 million due to its related company and shareholder and the loan note, the Management expects that the Subscription, if completed, will be able to alleviate the repayment pressure of the Group and further improve its financial position.

1.2.2 Suspension of trading and disclaimers of audit opinion

Trading of the Shares was suspended during the period from 27 September 2022 up to (and including) 12 July 2023 (the "**Trading Suspension**") and subsequently resumed on 13 July 2023 (the "**Trading Resumption**"). The Trading Suspension was triggered by a disclaimer of opinion (the "**2022 Disclaimer**") from its auditor on the financial statements of the Company for the year ended 31 March 2022. During the Trading Suspension, the Stock Exchange had issued a resumption guidance on 20 December 2022 requiring the Company to, among other things, address the issues giving rise to the 2022 Disclaimer and provide comfort that the 2022 Disclaimer would no longer be required.

We noted from the 2023 Annual Report that the auditors of the Company had again expressed a disclaimer of opinion on the Group's financial statements for the corresponding financial year due to (i) material uncertainties relating to going concern as a result of the Group's net loss, net current liabilities and net liabilities position and its low cash and cash equivalents position; and (ii) limitation of scope on opening balances and comparative information and financial information of the Disposed Group (which, according to the announcement of the Company dated 12 July 2023 (the "**Resumption Announcement**"), primarily concerned the bank borrowings, opening balances of the Group's lease receivables and receivables arising from sale and leaseback arrangements, and comparative information and financial information associated with Disposed Group).

We noted that as stated in the "Report of Directors" in the 2023 Annual Report and the Resumption Announcement,

- the Group had taken and would continue to implement measures to rectify the matters in relation to the disclaimer of opinion, including (i) obtaining new source of finance to improve the Group's working capital requirements (namely an unsecured term loan facility in an aggregate amount of HK$50 million from Goldbond); (ii) implementing active cost-saving measures to control its administrative costs; and (iii) completed the 2022 Disposal during the year ended 31 March 2023, where its effect on the Group's financial position was fully reflected in the consolidated financial statements for the year ended 31 March 2023; on such basis the Board considered the Group's obligations on related bank borrowings associated with the Disposed Group has been discharged, and hence would not have any carried forward impact to the consolidated financial statements for the year ending 31 March 2024; and

- the Board had further obtained understanding with the Company's auditor that (i) the disclaimer relating to the opening balances and comparative information of bank borrowings associated with the Disposed Group as of 31 March 2022 is expected to be removed in the independent auditors' report for the financial year ending 31 March 2024; and (ii) the disclaimer and matters of the scope of limitation on opening balances, comparative information and financial position of the Disposed Group no longer have possible effects on the figures presented in the consolidated statement of financial position of the Group as at 31 March 2023 and it shall not have carried forward effect to the consolidated financial statements of the year ending 31 March 2024 except for the effect of comparability of the relevant financial information presented as comparative figures, and considered that the bank borrowings issues would not have any carried forward impact to the consolidated financial statements for the year ending 31 March 2024.

On the basis of the foregoing, trading in the Shares on the Stock Exchange was resumed on 13 July 2023.

2. The Acquisition

2.1 Principal Business of Target Group

As referred to in the 2022 Acquisition Circular and as disclosed in the "Letter from the Board" in the Circular, the principal business of the Target Group is automobile leasing business, which is conducted through the PRC Subsidiaries. The PRC Subsidiaries (as lessors) purchase automobiles and lease them to the end users (as lessees) who will in return make periodic lease payments to the PRC Subsidiaries.

The PRC Subsidiaries established their first business of automobile leasing in Huzhou, the PRC in March 2020, and subsequently expanded into other strategic locations in the PRC. Up to the Latest Practicable Date, the PRC Subsidiaries comprised 17 companies, including four in Huzhou, three in Ningbo, four in Jiaxing, two in Shaoxing, one in Hangzhou, one in Wenzhou, one in Jinhua and one in Taizhou. As advised by the Management, historically the Target Group's automobile leasing business had focused primarily on second-hand vehicles. Since 2023 the Target Group has tapped into the markets of leasing first-hand vehicles and electric vehicles. The Group has intentions to expand geographically into Jiangsu Province and Fujian Province.

As disclosed in the"Letter from the Board" in the Circular, customers of the Target Group are all single individual end-users of automobiles, while suppliers of the Target Group are single individual owners of second-hand automobiles and new automobile dealers. As advised by the Management and based on the descriptions of the Target Group's business processes and operations as disclosed in the 2022 Acquisition Circular and the Circular, the overall business model of the Target Group is noted to have remained basically unchanged since the 2022 Acquisition.

2.2 Historical Financial Information of the Target Group

Set out below is a summary of the Target Group's operating results as extracted from the accountant's report of the Target Group as set out in Appendix II to the Circular:

	For the year ended 31 March			For the six months ended 30 September	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	10,048	31,024	42,126	21,849	19,708
– Operating lease income	6,065	19,265	24,251	12,583	11,485
– Interest income arising from sale and leaseback arrangements	40	–	–	–	–
– Sales of rental vehicles	3,047	11,759	17,875	9,266	8,223
– Other services income	896	–	–	–	–
Profit for the year/period	3,292	220	7,466	3,878	960

As disclosed in the section headed "Management Discussion and Analysis of the Target Group" as set out in Appendix III to the Circular, revenue generated by the Target Group mainly represented income from automobile leasing services and sale of rental automobiles in the PRC. The Target Group recorded revenue of approximately HK$10.0 million, HK$31.0 million, HK$42.1 million, HK$21.8 million and HK$19.7 million, respectively for the year ended 31 March 2021, 2022 and 2023 and for the six months ended 30 September 2022 and 2023, respectively. Revenue increased from HK$10.0 million for the year ended 31 March 2021 to HK$31.0 million for the year ended 31 March 2022 and further to HK$42.1 million for the year ended 31 March 2023 mainly due to the expansion and growth of the automobile leasing business since the Target Group's establishment of its first automobile leasing business in Huzhou, the PRC in March 2020. Revenue decreased slightly from HK$21.8 million for the six months ended 30 September 2022 to HK$19.7 million for the six months ended 30 September 2023 mainly due to the implementation of more stringent risk control measures which resulted in less number of automobile leasing applications passing risk control review and accepted.

The Target Group recorded profit for the year of approximately HK$3.3 million, HK$0.2 million and HK$7.5 million for the year ended 31 March 2021, 2022 and 2023, respectively. The notably lower profit for the year ended 31 March 2022 was mainly due to the significant impairment losses and provision of expected credit losses recorded during the year. The Target Group also recorded profit of approximately HK$3.9 million and HK$1.0 million for the six months ended 30 September 2022 and 2023, respectively. The lower profit for the six months ended 30 September 2023 compared to the corresponding period in 2022 was mainly as a result of a slightly lower revenue coupled with higher cost of sales (see "Letter from the Board" in the Circular for further details).

All in all, we noted that the Target Group demonstrated a general trend of growth in revenue and have been profitable since its first full financial year of operation in the year ended 31 March 2021. Since the financial year ended 31 March 2022 up to the six months ended 30 September 2023, the Target Group had brought total attributable net profit of HK$4.4 million (being 51% of the Target Group's share of net profit) for the Group.

2.3 Principal Terms of the Acquisition

Pursuant to the Acquisition Agreement, Goldbond has conditional agreed to sell, and the Company has conditionally agreed to acquired the Acquisition Shares, representing the remaining 49% of the issued share capital of the Target Company.

Prior to the Acquisition, the Target Company has been a 51% non-wholly owned subsidiary of the Company and the Company already enjoyed control over the Target Group. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company where the Company will be entitled to the entire financial results generated from the Target Group, and no minority nor non-controlling interests will continue to be recognised by the Company in its consolidated financial statements subsequent to the completion of the Acquisition.

The consideration of the Acquisition Shares shall be HK$17,500,000, which shall be satisfied by the Company by the issue and allotment of a total of 46,052,632 new Shares at a price of HK$0.38 per Consideration Share. The Consideration Shares represents approximately 10.95% of the existing issued share capital of the Company as of the Latest Practicable Date, 9.87% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares, and 7.94% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Subscription Shares (to be further discussed under section 3 "The Subscription" below), assuming (i) the Loan Capitalisation Amount remains unchanged at HK$42,999,424 on the Long Stop Date and (ii) no exercise of any of the Options.

Completion of the Acquisition is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

(a) the passing of the ordinary resolutions by the Independent Shareholders at the EGM to be convened and held to approve the Acquisition Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the issue and allotment of the Consideration Shares;

(b) the obtaining of a valuation report (in form and substance satisfactory to the Company) from an independent valuer appointed by the Company and showing the value of 100% of the Target Group as a group;

(c) the Goldbond's warranties as set out in the Acquisition Agreement remaining true and not misleading in all respects;

(d) the Company's warranties as set out in the Acquisition Agreement remaining true and not misleading in all respects;

(e) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares; and

(f) conditions precedent (a) and (b) of the Subscription Agreement (as set out in section 3.2 "Principal Terms of the Subscription" below) having been satisfied.

Goldbond may at any time waive in whole or in part and conditionally or unconditionally condition precedent (d) above by notice in writing to the Company. On the other hand, the Company may at any time waive in whole or in part and conditionally or unconditionally condition precedent (c) above by notice in writing to Goldbond. Conditions (a), (b), (e) and (f) cannot be waived by either party.

2.4 Analysis on the Basis of Determining the Acquisition Consideration

As disclosed in the "Letter from the Board" in the Circular, the Acquisition Consideration was determined after arm's length negotiations between the Company and Goldbond on normal commercial terms with reference to, including without limitation:

(a) the unaudited net asset value of the Target Group as at 30 September 2023 of approximately HK$15,982,000;

(b) the total consideration paid by the Group for the 2022 Acquisition, which the Group considered to have provided a comparable quantitative guide to evaluate the Acquisition as:

(i) the target company under the 2022 Acquisition was the same company as the Acquisition and was concluded recently in 2022;

(ii) an independent valuation from an independent valuer and an opinion from an independent financial adviser was obtained for the 2022 Acquisition; and

(iii) the 2022 Acquisition was approved by the Independent Shareholders at the relevant time, signifying an endorsement of the underlying approach and considerations of the Management in the 2022 Acquisition;

(c) the existing operations and future business prospects of the Target Group, including:

(i) subsequent to the 2022 Acquisition, the business of the Target Group has been expanded to other cities in Zhejiang Province, such as Hangzhou and Jinhua;

(ii) the Target Group has since 2023 tapped into the markets of leasing first-hand vehicles and electric vehicles (instead of just focusing on leasing second-hand vehicles); and

(iii) the Target Group's plans to further expand its operating lease business to Jiangsu Province and Fujian Province going forward; and

(d) the preliminary valuation of the Target Group as a whole as at 30 September 2023 of approximately HK$42,000,000 to HK$44,000,000 conducted by the Independent Valuer based on the market approach.

In connection with the above, we noted that:

- the net asset value of the Target Group as at 30 September 2023 was not being taken by the Group as a quantitative factor in determining the Acquisition Consideration but rather an objective qualitative basis for assessing the solvency and financial position of the Target Group. Although the Target Group's net asset position as at 30 September 2023 had improved by approximately 75.9% from HK$9,085,000 as at 30 September 2021, being the reference date of the 2022 Acquisition, it was substantially lower than the Acquisition Consideration. Nevertheless, we consider net asset value to be an indicator of financial position of a company and, in respect of the Target Group, its improved net asset position coupled with the positive operating cashflow reported for both the year ended 31 March 2023 and the six months ended 30 September 2023 is indicative of the Target Group's solvency position;

- the revenue base of the Target Group had improved significantly from approximately HK$12.2 million for the six months ended 30 September 2021 (prior to completion of the 2022 Acquisition) to approximately HK$42.1 million for the year ended 31 March 2023 and HK$19.7 million for the six months ended 30 September 2023 (corresponding year/period subsequent to completion of the 2022 Acquisition);

- the Target Group also demonstrated its ability to remain profitable amid a challenging economic environment throughout the COVID-19 pandemic and in the midst of the subsequent less-than-favourable interest-rate increase cycle, having reported profit of approximately HK$7.5 million for the year ended 31 March 2023 and HK$1.0 million for the six months ended 30 September 2023; and

- the implied valuation for the 100% equity interests of the Target Group based on the agreed consideration of the two acquisitions only increased incrementally from approximately HK$33.3 million under the 2022 Acquisition to HK$35.7 million under the Acquisition, and represented a discount of around 15% to the appraised value of the Target Group as at 30 September 2023 of approximately HK$42.0 million (the "**2023 Target Group Appraised Value**") performed by the Independent Valuer (the corresponding valuation report (the "**2023 Valuation Report**") of which is set out in Appendix V to the Circular).

Having considered that:

(i) the 2022 Acquisition (including the implied valuation) was approved by the Independent Shareholders which signified their endorsement for the then implied valuation;

(ii) the subject target company under the 2022 Acquisition was the same company as the Acquisition and that the net asset position and scale of business of the Target Group had both improved significantly;

(iii) the Target Group had remained profitable throughout a challenging period of economic downturn and interest-rate increase cycle which demonstrated the Group's ability to manage the business and operations of the Target Group since the 2022 Acquisition;

(iv) the implied valuation based on the Acquisition Consideration represented only an incremental increase of less than HK$3 million from the implied valuation of the 2022 Acquisition, and represented a discount of around 15% to the 2023 Target Group Appraised Value;

(v) the Management expect that with the Acquisition, the Enlarged Group would be better positioned to achieve financial economies of scale and more likely to obtain external financing as a whole on more favourable terms. Regardless, as a profitable contributor to the Group, acquiring 100% ownership of the Target Group would enable the Group to reap the full benefits and results derived from the Target Group; and

(vi) the Group has already implemented measures and business plans to grow the business of the Target Group (including, without limitation, expanding its operation locations and tapping into the markets of leasing first-hand and electric vehicles), and a complete ownership in the equity interest of the Target Group will provide the Management with complete control over its leasing business to implement operational and business strategies as considered desirous to further integrate the Group's ecosystem and development as a whole;

we consider the Acquisition Consideration and the corresponding basis of determination to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

2.5 Analysis on the Settlement Method of Acquisition Consideration

We have enquired with the Management and was given to understand that the Management had considered other alternative settlement methods, including cash or issuance of debt and convertible securities, but have resolved that the issuance of Consideration Shares would be more beneficial overall.

First, given the Group's financial position and its relatively limited cash resources at present, tapping on internal cash resources to settle the Acquisition Consideration would pose a strain on the liquidity position of the Group at least in the near term. Settling the Acquisition Consideration through the issuance of Consideration Shares has the advantage of conserving the Group's cash resources for operational needs and business development.

Theoretically the Group may also attempt equity and/or debt fundraising to acquire external funds for settlement of the Acquisition Consideration. However, such fundraising exercise would be challenging, time consuming and uncertain given the current financial position of the Group and the liquidity performance of its shares (see section 5.2 "Trading Volume/Liquidity Performance" for further analysis), and particularly given the prevailing high interest-rate environment and the challenging overall equity market performance and investor sentiment. Also, external equity and/or debt fundraising would inevitably involve additional costs and expenses (eg. legal and professional fees, market intermediary commissions, etc.). An equity fundraising, even if succeeded, would still lead to dilution on Shareholders' interests. A debt fundraising, on the other hand, would burden the Group with additional debt and interest expenses, especially considering the prevailing high interest-rate environment, which would go against the Group's recent substantial efforts to reduce its debt level and net liabilities position to a more manageable level. A use of a combination of debt and equity such as issuance of convertible bonds would still subject the Group with similar challenges and uncertainties, additional costs and expenses, and still result in shareholding dilution while bringing additional debt and interest burden to the Group.

Taking into account the latest reported financial position and the relatively limited cash resources of the Group, the challenging general market and investor sentiment at present and the Group's recent efforts in reducing its debt and gearing situation (particularly the 2022 Disposal), and having considered that even if the Group were to succeed in raising external equity/debt funds for settlement of the Acquisition Consideration, (i) such fundraising exercise would inevitably involve additional costs and expenses; (ii) an equity fundraising would still result in shareholding dilution for Independent Shareholders; and (iii) a debt fundraising would burden the Group with additional debt and finance costs, we concur with the Management that the issuance of Consideration Shares to be a more feasible, reasonable and overall beneficial method in settling the Acquisition Consideration.

2.6 Analysis on the Issue Price of the Consideration Shares

The issue price of the Consideration Shares is set at HK$0.38, which reflects a discount of approximately 9.52% from the closing price of HK$0.42 on the Last Trading Day and approximately 24.00% from the closing price of HK$0.50 on the Latest Practicable Date.

As illustrated in section 5.1 "Share Price Performance" below, during the three months immediately prior to the Trading Suspension (from 27 June 2022, being the commencement date of our Review Period (as defined below) for the purpose of analysing the Company's share price and trading volume performance as further discussed in section 5.1 "Share Price Performance" below, to 26 September 2022, being the day immediately preceding the Trading Suspension), the closing prices of the Shares remained at a much lower level and fluctuated between the lowest of HK$0.061 and the highest of HK$0.146 and closed at HK$0.116 on 26 September 2022, with an average closing price of HK$0.09 (which represented a discount of over 75% to the issue price of the Consideration Shares. After the Trading Resumption on 13 July 2023, the closing prices of the Shares exhibited a trend of increase and reached HK$0.40 on 10 August 2023 (being the first day on which the closing price of the Shares surpassed the issue price of the Consideration Shares). Thereafter the closing prices of the Shares fluctuated between HK$0.40 and HK$0.495 up to the Last Trading Day, but mostly closing within the narrow range of HK$0.40 to HK$0.42. We have enquired with the Management regarding the fluctuations of closing prices since the Trading Resumption and were advised that they are not aware of any particular reason that led to the fluctuations.

Based on the above observations, it is noted that the issue price of the Consideration Shares of HK$0.38, while reflected a discount of approximately 9.52% from the closing price of HK$0.42 on the Last Trading Day and approximately 24.00% from the closing price of HK$0.50 on the Latest Practicable Date, nonetheless represented a premium of approximately 3.5% over the average closing price of HK$0.367 as quoted on the Stock Exchange for the 73 consecutive trading days since the Trading Resumption up to the Last Trading Day. It is also noted that while the Shares were traded relatively actively immediately after the Trading Resumption in July (with an average daily trading volume of 142,667 Shares during the period from Trading Resumption on 13 July 2023 up to 31 July 2023) and August 2023 (with an average daily trading volume of 96,783 Shares), the trading volume of the Shares subsided substantially thereafter, with an average daily trading volume of less than 20,000 Shares for each of September and October 2023.

Regardless of the above, it is noted that the discount of the issue price of the Consideration Shares to the Last Trading Day, being the date on which the Acquisition Agreement was entered into, is well within the discount of less than 20% allowable for share issuance under general mandate granted by shareholders at a company's annual general meeting under the Listing Rules.

In order to further assess the fairness and reasonableness of the issue price of the Consideration Shares, we have identified and reviewed an exhaustive list of seven comparable transactions concerning issuance of consideration shares as consideration for discloseable/major and connected acquisitions, as announced by companies listed on the Main Board of the Stock Exchange during the past 24 months (the "**Comparable Transactions**"). Although the listed issuers in the Comparable Transactions may have different principal businesses, market capitalisation, profitability, financial position and identities of counterparties as compared to that of the Company, and there were different reasons for their acquisitions and for issuing the consideration shares, the Comparable Transactions represent the recent market trend of acquisition transactions by listed companies in Hong Kong equity capital market that utilised share issuance as settlement mechanism, which is comparable with that of the Acquisition. We therefore consider the Comparable Transactions to be fair and representative and are appropriate for the purpose of assessing the fairness and reasonableness of the issue price of the Consideration Shares.

The table below sets forth the summary of the Comparable Transactions during the review period:-

				Premium/(discount) of issue price over/(to)			
Date of announcement	**Company name**	**Stock code**	**Issue price**	**the closing price on the last trading day prior to/on the date of the relevant agreement**	**the average closing price over the last five consecutive trading days prior to/ including the date of the relevant agreement**	**the average closing price over the last ten consecutive trading days prior to/ including the date of the relevant agreement**	**the average closing price over the last 73 consecutive trading days prior to/ including the date of the relevant agreement** *(Note)*
			HK$	*%*	*%*	*%*	*%*
5 May 2023	Asia Energy Logistics Group Limited	351	0.202	(12.55)	(9.82)	(11.01)	5.20
19 December 2022	CASH Financial Services Group Limited	510	0.425	(7.61)	(7.61)	(5.45)	5.71
18 November 2022	Anchorstone Holdings Limited	1592	0.1674	(1.50)	(5.00)	(7.80)	(12.75)
11 September 2023	Infinities Technology International (Cayman) Holding Limited	1961	1.4	0.00	(3.40)	(2.51)	(5.41)
11 August 2022	Hong Kong Resources Holdings Company Limited	2882	0.298	5.09	0.00	3.47	27.93 *(note)*
3 July 2022	China Power International Development Limited	2380	4.4	(4.34)	(8.49)	(7.52)	8.45
29 March 2022	C&D International Investment Group Limited	1908	14.45	(14.90)	(13.56)	(9.1)	(4.72)
			Maximum	5.09	0.00	3.47	27.93
			Minimum	(14.90)	(13.56)	(11.01)	(12.75)
			Mean	(5.12)	(6.84)	(5.71)	3.49
			Median	(4.34)	(7.61)	(7.52)	5.20
30 October 2023	The Company	3963	0.38	(9.52)	(9.09)	(8.87)	3.48

Note: The number of consecutive trading days since the Trading Resumption up to (and including) the Last Trading Day.

note: It is noted that the issue price of the consideration shares of Hong Kong Resources Holdings Company Limited ("**HKRH**") represented a significant premium of 27.93% over the average closing prices of "73 consecutive trading days" as compared to the other six Comparable Transactions under the said scenario, which ranged from a premium of 8.45% to a discount of 12.75%. In this connection, we noted that the closing prices of the shares of HKRH were relatively stable at the range of HK$0.19 to HK$0.22 since the commencement of the "73 consecutive trading days" period (being 27 April 2022) up to 8 July 2022, and increased to HK$0.32 on 13 July 2022 and thereafter remained in the range of HK$0.275 to HK$0.31 up to 11 August 2023, being the end of the "73 consecutive trading days" period. We have reviewed public announcements of HKRH during the said "73 consecutive trading days" period and have noted that other than two announcements issued by HKRH on 6 July 2022 and 13 July 2022 which related to downward adjustments on franchise fee and service fee under certain continuing connected transactions of HKRH, we have not identified any other material news which corelated to the period of the increase in closing prices of HKRH's shares. On the basis of the above, we did not consider the said 27.93% premium to be an outlier for the purpose of our analysis.

As shown in the table above, the issue prices of consideration shares of the Comparable Transactions (i) ranged from a discount of 14.90% to a premium of 5.09%, with an average of a discount of 5.12% and a median of a discount of 4.34% over/to the closing prices of respective shares on the last trading day prior to/on the date of the relevant agreements; (ii) ranged from a discount of 13.56% to 0.00%, with an average discount of 6.84% and a median of a discount of 7.61% over/to the average closing prices of respective shares for the last five consecutive trading days prior to/up to date of the relevant agreements; (iii) ranged from a discount of 11.01% to a premium of 3.47%, with an average of a discount of 5.71% and a median of a discount of 7.52% over/to the average closing prices of respective shares for the last ten consecutive trading days prior to/up to date of the relevant agreements; and (iv) ranged from a discount of 12.75% to a premium of 27.93%, with an average of a premium of 3.49% and a median of a premium of 5.2% over/to the average closing prices of respective shares for the last 73 consecutive trading days prior to/up to date of the relevant agreements.

A comparison of the premiums/discounts between the issue price of the Consideration Shares and those of the Comparable Transactions under the above scenario reveals that the premiums/discounts (as the case may be) of the issue price of the Consideration Shares are all within range of the Comparable Transactions in all the scenario analysis.

On the basis of the foregoing analyses and considerations, we consider the issue price of the Consideration Shares to be fair and reasonable and in line with comparable market transactions.

2.7 Summary Opinion

As stated in the "Letter from the Board" in the Circular, it is anticipated that the Acquisition will enable the Group to further benefit from the economic returns brought by the Target Group. Further, the Target Group has been expanding its business operations and developing its customer base in the PRC. It is expected that the Acquisition would provide the Group with the opportunity to enhance the competitiveness of the Target Group, allow the Group to have complete ownership and control of the Target Group to implement operational and business strategies as considered desirous to further integrate the Group's ecosystem and development as a whole, positioning it favourably to seize market opportunities and strengthen its market presence in the automobile leasing industry in the PRC, thereby generating favourable returns to the Group.

Based on the analysis on the historical financial performance of the Group and the Target Group as contained in section 1.2 "Historical Financial Information of the Group" and section 2.2 "Historical Financial Information of the Target Group" above, the Target Group has played a significant role in enhancing the financial and business performance of the Group. As a profitable contributor to the Group, acquiring 100% ownership of the Target Group would grant the Group complete control over its future development and enable it to reap the full benefits and results derived from the Target Group. Given the existing financial constraints faced by the Group, increasing its stake in a profitable subsidiary that is not wholly owned is a reasonable and logical strategic move aimed at improving the overall business and financial performance of the Group.

On the other hand, as discussed in section 2.5 "Analysis on the Settlement Method of Acquisition Consideration" above, the use of Consideration Shares in settlement of the Acquisition Consideration is, on a balance, considered to be more practicable and beneficial to the Group than other alternative settlement methods under consideration, despite resulting in a moderate shareholding dilution for Independent Shareholders. Additionally, considering the Group's current financial position which entails limited cash resources, opting for a share issue settlement in lieu of cash settlement would help conserve liquidity. Moreover, as analysed in section 2.6 "Analysis on the Issue Price of the Consideration Shares" above, the issue price of the Consideration Shares is found to be generally in line with comparable transactions conducted in the recent years.

On the basis of our review and analysis on (i) the financial performance and position of the Group and the Target Group; (ii) the Acquisition Consideration and its basis of determination; (iii) the settlement method of the Acquisition Consideration; (iv) the issue price of the Consideration Shares; (v) the views of the Management on the business prospects of the Target Group and the synergies that can be brought about by the Acquisition as detailed in the "Letter from the Board" in the Circular; and (vi) the reasons and benefits of the Acquisition as stated in the "Letter from the Board"; we consider the Acquisition, including its terms and the grant of the Specific Mandate for the issue of the Consideration Shares, to be fair and reasonable and to the benefit of the Company and its Shareholders as a whole.

3 The Subscription

3.1 Background of Loans under Capitalization

As disclosed in the "Letter from the Board" in the Circular, as at the Latest Practicable Date, Goldbond has advanced the following Loans to the Company:–

(a) an unsecured term loan facility made available by Goldbond to the Company with an aggregate principal amount of up to HK$50,000,000 at an interest rate of 6% per annum and repayable on 20 October 2024 pursuant to a loan agreement dated 21 October 2021 made between Goldbond and the Company for strengthening the financial position and providing additional working capital to the Group for general working capital and development of finance lease and operating lease operations, according to the announcement of the Company dated 21 October 2021. According to the announcement of the Company dated 29 March 2023, the said facility was part of the Group's action plan to address the going concern issue under the 2022 Disclaimer; and

(b) an unsecured loan note issued by the Company to Goldbond in the principal amount of HK13,188,500 at an interest rate of 4.58% per annum with the maturity date falling on 3 March 2025 pursuant to a loan note instrument dated 4 March 2022 made between the Company and Goldbond. According to the 2022 Acquisition Circular, the loan note was issued to settle part of the consideration of the 2022 Acquisition.

As at the Latest Practicable Date, the total outstanding principal amount and all accrued and unpaid interests of the Loans amounted to HK$43,342,166.

3.2 Principal Terms of the Subscription

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue and allot, and Goldbond conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK$0.38 for each Subscription Share, which is same as the issue price of the Consideration Shares.

The aggregate consideration for the issue and allotment of the Subscription Shares shall be offset against the Loan Capitalisation Amount (i.e. comprising the total outstanding principal amount and all accrued and unpaid interests of the Loans up to and including the Completion Date) with effect at Subscription Completion. The issue and allotment of the Subscription Shares on Completion Date will be deemed as an absolute discharge and full and final satisfaction and settlement of the Loans, and Goldbond shall no longer have any rights, title, interests or benefits in or in relation to the Loans under the relevant Loan Documents.

The total number of Subscription Shares to be issued shall be calculated by dividing the Loan Capitalisation Amount by the Subscription Price. For the purpose of illustration, assuming that the Completion Date falls on the Long Stop Date (i.e. 31 March 2024), the total number of Subscription Shares to be issued to the Goldbond will be 113,156,379 (based on the Loan Capitalisation Amount of HK$42,999,424 on the Long Stop Date divided by the Subscription Price), which will have an aggregate nominal value of HK$1,131,563.79, and will represent 26.89% of the existing issued share capital of the Company as of the Latest Practicable Date; and 19.51% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Subscription Shares (assuming that there are no other changes in the share capital of the Company between the date of the Subscription Agreement and the Completion Date other than the issue and allotment of the Consideration Shares and the Subscription Shares).

Subscription Completion is conditional upon fulfilment of the following conditions:

(a) the passing of the ordinary resolutions by the Independent Shareholders at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the issue and allotment of the Subscription Shares and the grant of the Specific Mandate for the issue and allotment of the Subscription Shares;

(b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Subscription Shares on the Stock Exchange; and

(c) conditions precedent (a) to (e) of the Acquisition Agreement (as set out in the section 2.3 "Principal terms of the Acquisition" above) having been satisfied (or waived, if applicable).

3.3 Reasons and Benefits of the Subscription

To address the Group's debt level, a variety of measures have already been executed, including the 2022 Disposal. These efforts have been successful in reducing the overall debt burden of the Group. However, it is worth noting that the Group still maintains external borrowings from a related party and the controlling Shareholder, with the controlling Shareholder playing a significant role in financing the Group through debt.

The proposed debt capitalisation arrangement involves the controlling Shareholder accepting equity in exchange for the debt owed, which the Management considers will improve the capital structure and the financial position of the Group. More specifically, the debt capitalisation arrangement can further reduce the Group's debt, particularly the interest-bearing unsecured term loan facility which is part of the measures to address the material uncertainties relating to going concern which in turn led to the 2022 Disclaimer, while conserving its cash resources for operational needs and business development, bringing about an improved debt-to-asset and debt-to-equity ratio, a lower gearing level and a further improved net liability/asset position. By decreasing the debt component, the Group's interest expenditure will be alleviated, allowing for greater financial flexibility and improved profit/loss position.

Furthermore, the Management considers that the controlling Shareholder's willingness to accept equity in lieu of debt demonstrates their continuous confidence in the Group's prospects and their willingness to providing ongoing support to the Group. As discussed in section 2.6 "Analysis on the Issue Price of the Consideration Shares" above and further illustrated in section 5.1 "Share Price Performance" below, the Subscription Price, while reflecting a discount of approximately 9.52% from the closing price of HK$0.42 on the Last Trading Day and approximately 24.00% from the closing price of HK$0.50 on the Latest Practicable Date, nonetheless represented a premium of approximately 3.5% over the average closing price of HK$0.367 as quoted on the Stock Exchange for the 73 consecutive trading days since the Trading Resumption up to the Last Trading Day, indicating the controlling Shareholder's positive outlook for the Group's future performance. Also, by accepting this equity exchange proposal, the Group can be better positioned for long-term financial stability and growth. The reduction in debt will enhance the Group's financial standing, making it better equipped to pursue strategic initiatives and capitalise on market opportunities.

3.4 Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we have identified and reviewed an exhaustive list of five comparable transactions concerning the issuance of subscription shares under loan capitalisation arrangement, as announced by companies listed on the Main Board of the Stock Exchange during the past 12 months (the "**Loan Capitalisation Comparable Transactions**"). For the purpose of selecting the said comparable transactions, cases of debt restructuring of substantial scale or loan capitalisation under financial distress/rescue are excluded. Although the listed issuers in the Loan Capitalisation Comparable Transactions may have different principal businesses, market capitalisation, profitability, financial position and identities of counterparties as compared to that of the Company, and there were different reasons for their loan capitalization and for issuing the subscription shares, the Loan Capitalisation Comparable Transactions represent the recent market trend of similar transactions conducted by listed companies in Hong Kong equity capital market. We therefore consider the Loan Capitalisation Comparable Transactions to be fair representative and are appropriate for the purpose of assessing the fairness and reasonableness of the Subscription Price.

The table below sets forth the summary of the Loan Capitalisation Comparable Transactions during the review period:–

				Premium/(discount) of issue price over/(to)			
Date of announcement	**Company name**	**Stock code**	**Issue price**	**the closing price on the last trading day prior to/on the date of the relevant agreement**	**the average closing price over the last five consecutive trading days prior to/ including the date of the relevant agreement**	**the average closing price over the last ten consecutive trading days prior to/ including the date of the relevant agreement**	**the average closing price over the last 73 consecutive trading days prior to/ including the date of the relevant agreement** *(Note)*
			HK$	*%*	*%*	*%*	*%*
7 September 2023	Da Sen Holdings Group Limited	1580	0.08	(35.48)	(40.48)	(43.50)	(54.21)
6 September 2023	New City Development Group Limited	456	0.57	(5.00)	(7.00)	(5.63)	(60.34)
31 August 2023	Bonjour Holdings Limited	653	0.062	0.00	0.65	0.00	(23.74)
21 March 2023	Golden Ponder Holdings Limited	1783	0.4	(14.89)	(17.86)	(20.56)	(29.29)
18 January 2023	GOME Retail Holdings Limited	493	0.115	(7.26)	(7.85)	(6.81)	(16.24)
			Maximum	0.00	0.65	0.00	(16.24)
			Minimum	(35.48)	(40.48)	(43.50)	(60.34)
			Mean	(12.53)	(14.51)	(15.30)	(36.76)
			Median	(7.26)	(7.85)	(6.81)	(29.29)
30 October 2023	The Company	3963	0.38	(9.52)	(9.09)	(8.87)	3.48

Source: The website of the Stock Exchange

Note: The number of consecutive trading days since the Trading Resumption up to (and including) the Last Trading Day.

As shown in the table above, the issue prices of subscription shares of the Loan Capitalisation Comparable Transactions (i) ranged from a discount of 35.48% to 0.00% with an average of a discount of 12.53% and a median of a discount of 7.26% to their respective closing prices per share on/prior to their respective dates of agreements, (ii) ranged from a discount of 40.48% to a premium of 0.65% with an average of a discount of 14.51% and a median of a discount of 7.85% to/over their respective average closing prices per share for the last five trading days prior to/up to their respective dates of agreements; (iii) ranged from a discount of 43.50% to 0.00% with an average of a discount of 15.30% and a median of a discount of 6.81% to their respective average closing prices per share for the last ten trading days prior to/up to their respective dates of agreements; and (iv) ranged from a discount of 16.24% to 60.34% with an average of a discount of 36.76% and a median of a discount of 29.29% to their respective average closing prices per share for the last 73 trading days prior to/up to their respective dates of agreements.

A comparison of the premiums/discounts of the Subscription Price with those of the Loan Capitalisation Comparable Transactions under the above scenario reveals that the premiums/discounts of the Subscription Price (as the case may be) are either within range of the Loan Capitalisation Comparable Transactions in all the scenario analysis or more favourable.

Based on the foregoing analyses and considerations, we consider the Subscription Price to be fair and reasonable and in line with comparable market transactions.

3.5 Summary Opinion

On the basis of our review and analysis on (i) the latest reported financial position of the Group; (ii) the reasons and benefits of the Subscription and its potential positive impact on the financial position of the Group; and (iii) comparison of the Subscription Price to the historical share price performance of the Company and with other comparable transactions in the market, we consider the Subscription, including its terms and the grant of the Specific Mandate for the issue of the Subscription Shares, to be fair and reasonable and to the benefit of the Company and its Shareholders as a whole.

4 Financial Effect of the Acquisition and the Subscription on the Group

The Acquisition and the Subscription would lead to a reduction in the Group's debt level as well as an increase in the Company's equity, as the Acquisition is settled by, and the Loans are repaid through share issuance. This reduction in debt and increase in equity would improve the Group's debt-to-equity ratio and debt-to-asset ratio, indicating a healthier financial position and lower financial risk. Additionally, the gearing ratio, which measures the proportion of debt in relation to equity, would also improve as a result of the reduced debt.

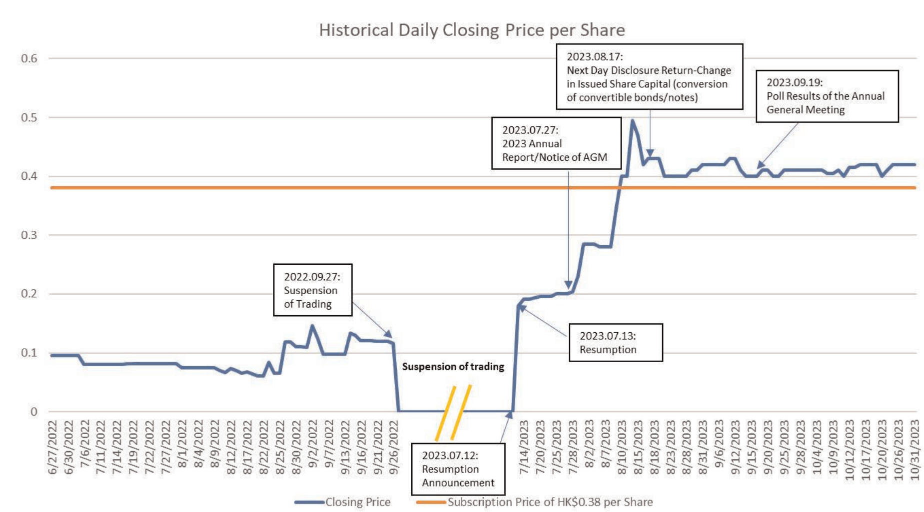
Another significant financial effect of this acquisition is the lowering of interest expenses. By redeeming the Loan through share issuance, the Group would no longer be obligated to pay interest on those debts. This reduction in interest expenses would free up financial resources, improving the Group's cash flow and providing greater flexibility for investment or other strategic initiatives.

In addition to the aforementioned financial effects, upon completion of the Acquisition the Company will be entitled to the entire financial results generated from the Target Group, and no minority nor non-controlling interests will continue to be recognised by the Company in its consolidated financial statements subsequent to the completion of the Acquisition.

5 Shareholding and Share Performance Analysis

5.1 Share Price Performance

To assess the fairness and reasonableness of the issue price of the Consideration Shares (the "**Issue Price**") and the Subscription Price, we have performed a review on the daily closing prices of the Shares from 27 June 2022 (being a period of approximately three months prior to the Trading Suspension) up to and including the Last Trading Day, the date on which the Acquisition Agreement and the Subscription Agreement were entered into, excluding the period from 27 September 2022 to 12 July 2023 when the trading of Shares was suspended (the "**Review Period**"), and compared with the Issue Price and the Subscription Price. We consider that a period of three months prior to the last trading day before the Trading Suspension and a period of approximately 3.5 months after the Trading Resumption till the Last Trading Day is representative and adequate to illustrate the price movements of the Shares to conduct a reasonable comparison between the daily closing prices of the Shares and the Issue Price and Subscription Price.



The average closing price of the Shares over the Review Period (excluding the period of Trading Suspension) was approximately HK$0.238 per Share. The closing prices ranged from the lowest of HK$0.061 per Share (the "**Lowest Closing Price**") recorded on 19 and 22 August 2022, to HK$0.495 per Share (the "**Highest Closing Price**") recorded on 14 August 2023 during the Review Period.

The closing prices decreased from HK$0.095 from 27 June 2022, the commencement date of the Review Period, to the Lowest Closing Price on 19 and 22 August 2022 and fluctuated upward and closed at HK$0.116 on 26 September 2022, the last trading day immediately before the Trading Suspension. After the Trading Resumption on 13 July 2023, the closing prices of the Shares exhibited a trend of increase and reached HK$0.40 on 10 August 2023 (being the first day on which the closing price of the Shares surpassed the issue price of the Consideration Shares). Thereafter the closing prices of the Shares fluctuated between HK$0.40 and HK$0.495 up to the Last Trading Day, but mostly closing within the narrow range of HK$0.40 to HK$0.42.

As discussed in section 2.6 "Analysis on the Issue Price of the Consideration Shares" above, while the Issue Price and Subscription Price of HK$0.38 per Share represented a discount of approximately 9.52% to the closing price of HK$0.42 per Share as quoted on the Stock Exchange on 30 October 2023, being the Last Trading Day and the date on which the Acquisition Agreement and the Subscription Agreement were entered into, it nonetheless represented a premium of approximately 3.5% over the average closing price of HK$0.367 as quoted on the Stock Exchange for the 73 consecutive trading days since the Trading Resumption up to the Last Trading Day. In any event, as discussed in section 2.6 "Analysis on the Issue Price of the Consideration Shares" above, the discount of 9.52% of the Issue Price and Subscription Price over the closing price of the Shares on the Last Trading Day is well within the discount of less than 20% allowable for share issuance under general mandate granted by shareholders in the annual general meeting of a company under the Listing Rules.

5.2 Trading Volume/Liquidity Performance

In addition to the historical share price movement, we have also reviewed the trading liquidity of the Shares during the Review Period. The table below sets out the trading volume of the Shares on the Stock Exchange during the Review Period:

Month/Period	Total trading volume of the Shares in each month/ period	No. of trading days in each month/period	Average daily trading volume of the Shares	Percentage of the average daily trading volume of the Shares to the total number of Shares in issue *(Note)*
2022				
June (from June 27 to June 30)	0	4	0	0%
July	1,600	20	80	0%
August	57,000	23	2,478	0%
September (up to 26 September)	1,575,000	17	92,647	0%
2023				
July (from 13 July to 31 July)	1,712,000	12	142,667	0.03%
August	2,226,000	23	96,783	0.02%
September	357,000	19	18,789	0.00%
October	293,000	19	15,421	0.00%
Average			**46,108**	**0.01%**

Source: the website of the Stock Exchange

Note: Calculated based on the total number of Shares in issue as at the end of the relevant month/period

As illustrated in the table above, the Shares had virtually no liquidity since commencement of the Review Period up to the month of Trading Suspension (September 2022). Trading volume of the Shares increased substantially in the initial period following the Trading Resumption in July and August of 2023, reporting a total share trading volume of approximately 1.7 million Shares and 2.2 million Shares, with average daily trading volume of close to 150,000 Shares and 100,000 Shares, respectively. However, liquidity of the Shares subsided rapidly since September 2023, with trading volume of the Shares dropped substantially to less than 400,000 Shares and less than 300,000 Shares for each of September and October 2023, with daily average trading volume below 20,000 in each of both months. Overly thin liquidity of shares may negatively impact the ability of a company to conduct equity fundraising, as investors may have concern over the liquidity of its investments.

5.3 Shareholding Dilution

The following table illustrates the changes in shareholding of the Company as a result of the issue and allotment of the Consideration Shares and the Subscription Shares (assuming the Loan Capitalisation Amount remains unchanged at HK$42,999,424 on the Long Stop Date). Due to the fact that the Acquisition and the Subscription are inter-conditional, the following table is presented for the combined effect of both the Acquisition and the Subscription on the Company's shareholding:

Shareholders	**As at the Latest Practicable Date**		**Immediately upon the Acquisition Completion and Subscription Completion**	
	Number of Shares held	*Approximate % of Shares in issue*	*Number of Shares held*	*Approximate % of Shares in issue*
Goldbond *(Note 1, 2)*	152,055,903	36.14	311,264,914	53.67
Goldbond's other concert parties *(Note 3)*	20,234,242	4.81	20,234,242	3.49
Mr. Xie Xiaoqing *(Note 4)*	51,207,600	12.17	51,207,600	8.83
Public Shareholders	197,261,255	46.88	197,261,255	34.01
Total	420,759,000	100.00	579,968,011	100.00

Notes:

1. In addition to these interest in Shares, Solomon Glory Limited, a wholly-owned subsidiary of Goldbond, holds a short position in 38,503,380 Charged Shares, which are held by Yong Hua International Limited and charged to Solomon Glory Limited.

2. Such Shares include (i) 8,250,000 Shares (representing approximately 1.96% of the issued share capital of the Company) directly held by Goldbond; and (ii) 143,805,903 Shares (representing approximately 34.18% of the issued share capital of the Company) held by Perfect Honour, a directly wholly-owned subsidiary of Goldbond.

3. Such Shares include (i) 10,127,176 Shares (representing approximately 2.41% of the issued share capital of the Company) held by Legend Crown; and (ii) 10,107,066 Shares (representing approximately 2.40% of the issued share capital of the Company) held by Plenty Boom. Legend Crown and Plenty Boom are wholly-owned by Ace York Management Trust (a discretionary trust founded by Ms. Jacqueline Wong), of which the trustee is Ace York Investment and the beneficiaries are Ms. Michelle Wong and Ms. Jacqueline Wong. Each of the aforesaid persons/entities is a party acting in concert with the Offeror under the Takeovers Code.

4. According to the information available based on the disclosure of interest forms, these Shares include (i) 2,117,370 Shares (representing approximately 0.50% of the issued share capital of the Company) held by Capital Grower Limited; (ii) 10,586,850 Shares (representing approximately 2.52% of the issued share capital of the Company) held by Clifton Rise International Limited; and (iii) 38,503,380 Charged Shares (representing approximately 9.15% of the issued share capital of the Company) held by Yong Hua International Limited, which are all companies wholly-owned by Mr. Xie Xiaoqing.

As demonstrated from the above shareholding table, assuming (i) the Loan Capitalisation Amount remains unchanged at HK$42,999,424 and (ii) no exercise of any of the Options, the issue and allotment of the Consideration Shares and Subscription Shares would result in:

- a shareholding dilution of 7.94% for Independent Shareholders, reducing their shareholdings from 46.88% of the existing issued share capital as of the Latest Practicable Date to 34.01% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Subscription Shares; and

- an increase the shareholding of Goldbond (including those held by Perfect Harbour) in the Company from 36.14% of the existing issued share capital as of the Latest Practicable Date to 53.67% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Subscription Shares.

Taking into account the reasons for and benefits of the Acquisition and the Subscription as discussed in the previous sections in this letter, we consider the shareholding dilution of approximately 7.94% brought about by the issue and allotment of the Consideration Shares and the Subscription Shares on the Independent Shareholders to be acceptable.

6 Assessment of the 2023 Valuation Report

As set out in the "Letter from the Board" in the Circular, the obtaining of the 2023 Valuation Report from the Independent Valuer showing the value of 100% of the Target Group as a group is a condition precedent specified in the Acquisition Agreement, which is a material term of the Acquisition Agreement. The full text of the 2023 Valuation Report is accordingly contained in Appendix V to this Circular.

In arriving at our opinion on the fairness and reasonableness of the Acquisition Consideration, we have made reference to the appraised value of the Target Group provided in the 2023 Valuation Report as prepared by the Independent Valuer. In this connection, we have obtained and reviewed the engagement letter entered into between the Independent Valuer and the Company, the 2023 Valuation Report and the underlying calculation spreadsheet and interviewed the Independent Valuer to understand and assess, among other things: (i) the terms of engagement and the scope of work as agreed between the Company and the Independent Valuer; (ii) the qualification and independence of the Independent Valuer; (iii) the procedures and major assumptions adopted by the Independent Valuer; and (iv) the selection of valuation methodology taken by the Independent Valuer in performing its valuation of the Target Group for the purpose of the 2023 Valuation Report.

6.1 Scope of Work, Qualifications and Independence of the Independent Valuer

From our review of the engagement letter between the Company and the Independent Valuer, we are satisfied that the terms of engagement between the Company and the Independent Valuer are appropriate to the opinion the Independent Valuer is required to be given, with no limitations on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer. We also understand from the Independent Valuer that it conducted the valuation on the Target Group in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

We have enquired into the qualification and experience of the Independent Valuer. More specifically, we have obtained and reviewed the certificate issued by the Royal Institution of Chartered Surveyors pertaining to the Independent Valuer, and understand that the Independent Valuer is certified with relevant professional qualification. We have also obtained and reviewed information on the track records of the Independent Valuer to satisfy ourselves that the Independent Valuer has the requisite experience in providing the valuation services for the purpose of the 2023 Valuation Report. In addition, we have enquired into the qualifications and experience of Mr. Simon M. K. Chan who is the responsible valuer of the 2023 Valuation Report. More particularly, we have obtained and reviewed, among other things, the certificate issued by the Royal Institution of Chartered Surveyors pertaining to Mr. Chan, and information on the transaction track records of Mr. Chan and noted he has prior experience in the issuance of valuation reports of similar nature and circumstances for companies listed in Hong Kong.

Moreover, we have enquired with, and the Independent Valuer has confirmed that they are independent to the Group, the Target Group and their respective associates and all relevant material information provided by the Group had been incorporated in the 2023 Valuation Report.

On the basis of the above, we are satisfied that the Independent Valuer is qualified for the issuance of the 2023 Valuation Report.

6.2 Procedures and Major Assumptions Adopted

We have enquired with and were advised by the Independent Valuer that they had performed necessary due diligence works for the preparation of the 2023 Valuation Report, which included, among other things, interviewed with the Management to enquire into the financial information and operations of the Target Group, reviewed the accountants' report of the Target Group (as contained in Appendix II to this Circular), examined the valuation report issued in connection with the 2022 Acquisition (the "**Previous Valuation Report**"), and conducted independent searches for comparable companies.

We noted that the Independent Valuer has made major assumptions, including but not limited to: (i) the principal business of the Target Group will not change significantly in the foreseeable future, and that it has obtained all necessary permits, business certificates, licenses and legal approvals to operate its business which are renewable upon expiry; (ii) the Target Group will continue to operate as a going concern with adequate operation facilities and business systems in place or proposed (if any) that are in line with the industry; (iii) the core operation of the Target Group will not differ materially from those of present or expected; (iv) there will be no material changes in the existing political, legal, technological, natural, fiscal or economic conditions, which might adversely affect the business of the Target Group; (v) the operational and contractual terms stipulated in the relevant contracts and agreements entered into between the Target Group and any other parties, including but not limited to loan contracts, business contracts and other contracts that will affect the business of the Target Group, will be honored; (vi) continuous prudent management of the Target Group that is reasonable and necessary to maintain the character and integrity of the assets valued; and (vii) there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management, etc.) associated with the asset valued that might adversely affect the reported value.

We have enquired into and are advised that the major assumptions adopted by the Independent Valuer in performing its valuation of the Target Group are generally customarily adopted for other similar valuation engagements undertaken by the Independent Valuer. In this connection, we have reviewed valuation reports issued by the Independent Valuer for similar past transactions, the Previous Valuation Report, and valuation reports issued by other professional valuers of similar nature and circumstances and found the major assumptions adopted for the 2023 Target Group Valuation (as defined below) to be generally in line.

On the basis of the above, we consider the major assumptions adopted for the 2023 Target Group Valuation to be reasonable and acceptable.

6.3 Selection of Valuation Methodology

As set out in the 2023 Valuation Report and based on our discussions with the Independent Valuer, the market approach with the use of guideline public companies method is adopted in deriving the 2023 Target Group Appraised Value. We have discussed with the Independent Valuer on their valuation methodologies and understand that they had considered three valuation approaches, namely market approach, cost approach and income approach.

We understand from the Independent Valuer that the cost approach was not adopted as it does not directly incorporate information about the economic benefits contributed by the subject assets. We also understand from the Independent Valuer that the income approach was not adopted because this approach involves long-term financial projections and the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained. The market approach, on the other hand, considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. According to the Independent Valuer, the benefits of market approach include its simplicity, clarity, speed and the need for fewer subjective assumptions, and it also introduces objectivity in application as publicly available inputs are used. We understand from the Independent Valuer that having considered, among other things, the purpose of its engagement and the resulting basis of value, the availability and reliability of information provided, and the relative advantages and disadvantages of each approach to the nature and circumstances of the Target Group, the Independent Valuer have adopted the market approach in deriving the 2023 Target Group Appraised Value.

As advised by the Independent Valuer, there are two commonly used methods of valuation under the market approach, namely (i) guideline public companies method (which requires identifying suitable guideline public companies and selection of appropriate trading multiples), and (ii) guideline transactions method (which takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to a subject's financial metrics). The guideline transactions method is not adopted due to lack of sufficient recent market transactions with similar nature as the Target Group and accordingly, the Independent Valuer has resolved to apply the guideline public companies method under market approach for the purpose of performing its valuation on the Target Group (the "**2023 Target Group Valuation**"). Based on our discussion with the Independent Valuer in understanding its rationale and basis of selecting the appropriate valuation methodology, and having considered that the same method was also applied in the Previous Valuation Report, we concur with the Independent Valuer that the market approach with the use of guideline public companies method is appropriate for the valuation of the Target Group.

In arriving at the 2023 Target Group Appraised Value, the Independent Valuer have considered six commonly used benchmark multiples. According to the Independent Valuer:

- the price-to-earnings multiple, while most commonly used, has the limitations that it cannot be used to value loss-making companies, and fail to overcome the distortions caused by different accounting policies and capital structure;

- the price-to-book multiple is commonly used to value companies within asset intensive industries (such as property developers, natural gas producers, etc.), but fails to capture company-specific competencies and advantages;

- the price-to-sales multiple is commonly used to value early-stage or loss-making companies, but has a shortcoming that it ignores the cost structure and hence the profitability of a company;

- the enterprise value-to-earnings before interest and tax multiple, which has the benefits of allowing for direct comparison of firms regardless of their difference in capital structure; but since it does not adjust for depreciation and amortisation expenses, it is more affected by the accounting treatments of depreciation and amortisation;

- the enterprise value-to-sales multiple, while commonly used to value early-stage or loss-making companies (as price-to-sales multiple), has the benefits of taking into account a company's debt load and is less affected by difference in accounting treatment; and

- the enterprise value-to-earnings before interest, tax, depreciation and amortisation multiple (the "**EV/EBITDA Multiple**"), while having the benefit of being capital neutral and similarly considered to be less affected by difference in accounting treatment as the other price multiples, differs with enterprise value-to-earnings before interest and tax multiple in that the EV/EBITDA Multiple adds back depreciation and amortisation expenses, and hence is more commonly used for capital-intensive business in which case depreciation expense contributes to a significant portion of economic cost.

According to the Independent Valuer, the EV/EBITDA Multiple is considered the most appropriate multiple for the purpose of valuing the Target Group, given that the debt and the depreciation and amortisation expense of the Target Group were considered to have material impact on its value and the Target Group is considered to be capital-intensive, and the EV/EBITDA Multiple shows how well a company performed through its core operations regardless of the difference in accounting treatments of depreciation and amortisation.

Taken into consideration of the characteristics of the six benchmark multiples set out above and the level of debt and depreciation expense of the Target Group, we concur with the Independent Valuer that the EV/EBITDA Multiple is an appropriate multiple to be adopted for the 2023 Target Group Valuation.

6.4 Selection of Comparables

We have discussed with the Independent Valuer and understood that the Independent Valuer attempted to identify companies which (i) have been listed and actively traded in public exchanges (including 17 stock exchanges listed as "Recognised Stock Exchange" in "Secondary Listings in Hong Kong" issued by the Stock Exchange, and world's top 15 stock exchanges in terms of market capitalisation according to the statistics published by the SFC as of the end of September 2023) for no less than six months; (ii) mainly engages in specifically car rental and lease services and related business classified by Capital IQ or based on the business description provided by Capital IQ or their website, which is the same industry as the Target Group; (iii) generated over 50% of their total revenue from car rental and lease and related services for the latest financial year; (iv) recorded positive net operating profit after tax ("**NOPAT**") in their latest financial year; and (v) have sufficient operational and financial data, including the EV/EBITDA Multiple, at the valuation date. Based on aforesaid selection criteria, the Independent Valuer selected nine comparable companies (the "**Valuation Comparable Companies**").

We have independently reviewed relevant publicly available information on each of the Valuation Comparable Companies and found them to be in line with the selection criteria set by the Independent Valuer. We have also compared the Valuation Comparable Companies with the comparable companies identified in the Previous Valuation Report, and noted that save for (i) Solution Financial Inc., which was included as one of the comparable companies in the Previous Valuation Report but was excluded from the Valuation Comparable Companies for reason that its latest financial information provided for a negative EV/EBITDA Multiple; and (ii) Hertz Global Holdings Inc., which has been included in the Valuation Comparable Companies but was not included in the comparable companies used in the Previous Valuation Report; in this connection we noted it was newly listed in the month of issue of the Previous Valuation Report, the comparable companies selected under the 2023 Valuation Report are the same as those selected under the Previous Valuation Report. We have also conducted an independent search on Bloomberg for companies listed on the Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange (being the three PRC stock exchanges covered by Bloomberg) and the Stock Exchange under "Bloomberg Industry Classification Standard – Finance Services" to ascertain that no company listed on the aforementioned stock exchanges can be identified which falls within the selection criteria set forth by the Independent Valuer.

On the basis that (i) we have not identified any company listed on either the Stock Exchange or the three aforementioned PRC stock exchanges that mainly engages in car rental services, and (ii) the Independent Valuer has included 17 stock exchanges listed as "Recognised Stock Exchange" in "Secondary Listings in Hong Kong" issued by the Stock Exchange and world's top 15 stock exchanges in terms of market capitalisation according to the statistics published by the SFC as of the end of September 2023 in its search for comparable companies which we consider to be sufficiently wide and representative, we consider the Valuation Comparable Companies to be fair and representative for the purpose of performing the valuation of the Target Group under market approach – guideline public companies method.

6.5 Valuation Procedures

We understand that the Independent Valuer retrieved relevant financial data and/or ratios of the Valuation Comparable Companies primarily from Capital IQ, which we considered to be a reliable and well-known third-party database commonly used in financial data analysis of listed companies. We further understand from the Independent Valuer that normalised (excluding other/sundry income and other items that are not of ordinary business nature) trailing 12 months EBITDA (the "**Normalised LTM EBITDA**") for both the Target Group and the Valuation Comparable Companies are used in the process of the 2023 Target Group Valuation. In this connection, we are advised by the Independent Valuer that only the line item "other income" (as shown in the "Consolidated Statements of Profit or Loss and Other Comprehensive Income of the Target Group" as presented in the Accountants' Report in Appendix II to the Circular to be the line item immediately below "Revenue") has been excluded in arriving at the Normalised LTM EBITDA of the Target Group. We have reviewed the corresponding note 7 of the Accountants' Report for the breakdown of "other income" and have not noted any anomaly.

We noted that the Valuation Comparable Companies operate in different countries/ regions and are of differing sizes compared to the Target Group. In this connection, the Independent Valuer has stated in the 2023 Valuation Report that:

"As the businesses of the [Valuation Comparable Companies] are located in different regions, they are thus exposed to different macroeconomic and market risks. Moreover, the [Valuation Comparable Companies] are often of significantly different size from the Target Company. Larger companies generally have lower expected returns that translate into higher values. On the other hand, small companies are generally perceived as riskier in relation to business operation and financial performance, and therefore the expected returns are higher and resulting in lower multiples."

To this end, the Independent Valuer has referred to the following formula, which is from a widely-adopted textbook, Financial Valuation – Applications and Model, 2017 by James R. Hitchner, to arrive at the adjusted EV/EBITDA multiples of the Valuation Comparable Companies:

Adjusted EV/EBITDA multiple = $1/((1/M)+ \alpha * \varepsilon * \theta)$, where:

(a) The parameter M is the base EV/EBITDA Multiple and 1/M, being the reciprocal of M, is taken to represent a capitalisation rate of the enterprise value;

(b) The parameter θ represents the desired adjustment to reflect the difference in size and location between the Valuation Comparable Companies and the Target Group, which comprises two components: (i) a size premium differential to capture the size difference between the Valuation Comparable Companies and the Target Group, which the Independent Valuer derived from the Cost of Capital Navigator 2022 published by Kroll; and (ii) a country risk premium differential, which the Independent Valuer derived from the Country Default Spreads and Risk Premiums study issued and last update by Aswah Damodaran in July 2023;

(c) The parameter ε is the ratio of the market capitalisation to enterprise value, which is adopted as a weighting factor to apply to appropriate weighting on the parameter θ so that the capitalisation rate was adjusted only to the extent of its equity portion; and

(d) The parameter α, which represents the ratio of EBITDA to NOPAT (or net operating profit after tax, a financial measure that shows how well a company performed through its core operations net of taxes), is applied in the adjustment of the EV/EBITDA Multiple as a scale factor for the measurement of EBITDA as an alternative benefit for enterprise value.

Based on our discussion with the Independent Valuer, we are given to understand that the above formula, as well as the source materials referred to in deriving the parameter θ, are recognised and commonly adopted in deriving adjusted EV/EBITDA Multiples catering for country risk and size differentials across companies.

By applying the above formula, the Independent Valuer derived the adjusted EV/EBITDA Multiples for each of the Valuation Comparable Companies and arrived at the sample median of 5.39, which is then applied as the benchmark EV/EBITDA Multiple to the Normalised LTM EBITDA of the Target Group to arrive at a base enterprise value of the Target Group.

To cater for lack of marketability of the Target Group (as a non-listed company), the Independent Valuer further applied a discount 22.10% on the base enterprise value of the Target Group. We understand from the Independent Valuer that such discount is adopted based on the 2022 edition of the Stout Restricted Stock Study Companion Guide issued by Stout Risius Ross, LLC. (for further details please refer to the 2023 Valuation Report as contained in Appendix V to the Circular). We are advised by the Independent Valuer that the Stout Restricted Stock Study is a well-known and widely accepted study among the valuers, and the said 2022 edition is the latest published edition available.

Based on our understanding of the valuation work involved, including (without limitation) the specific adjustments and discount/scale factors applied as well as the corresponding source materials referenced for the purpose of arriving at the 2023 Target Group Appraised Value, which we acquired through our due diligence discussions and enquiries with the Independent Valuer and our review of relevant documents, and having considered the 2023 Target Group Valuation have taken into account the specific factors of size, country risk and marketability differentials which we considered to be a diligent approach, we are of the view that the procedures adopted (including specific adjustments and discount/scale factors applied) for the 2023 Target Group Valuation are reasonable and acceptable.

6.6 Cross-assessment with the Previous Valuation Report

As disclosed in the 2022 Acquisition Circular, the Company obtained an independent valuation of the then Target Group for the 2022 Acquisition, which was prepared by another independent valuer (the "**2022 Valuer**") in accordance with the International Valuation Standards issued by the International Valuation Standards Council. It is noted that the 2022 Valuer also selected market approach and adopted the guideline companies method for the purpose of performing its valuation on the then Target Group for similar reasons as those considered by the Independent Valuer. We consider it relevant and appropriate to cross-assess the 2023 Valuation Report with that of the Previous Valuation Report as part of our assessment work on the 2023 Valuation Report.

6.6.1 Selection of comparable companies

Based on our review of the Previous Valuation Report, we found that the selection criteria adopted are largely similar to those adopted in the 2023 Valuation Report, such as:

- shares of comparable companies to be actively traded in public exchanges (the 2023 Valuation Report further required such companies to be listed and traded for no less than six months);

- business of comparable companies to be mainly engaged in the provision of car rental and lease services (the 2023 Valuation Report further required for a minimum revenue contribution of over 50% from car rental and lease services to be qualified);

- comparable companies to record positive earnings (NOPAT for the 2023 Valuation Report vis-à-vis EBITDA under the Previous Valuation Report); and

- sufficient financial information is available publicly.

The resulting comparable companies selected under the 2023 Valuation Report and the Previous Valuation Report are noted to be largely the same, with the only exception that (i) one appeared in the 2023 Valuation Report but not the Previous Valuation Report (we noted that the captioned comparable company was newly listed in the month of issue of the Previous Valuation Report); and (ii) one appeared in the Previous Valuation Report but not the 2023 Valuation Report as it recorded negative NOPAT in the applicable period under the 2023 Valuation Report and was accordingly excluded.

On the basis that almost identical comparable companies were identified independently by the Independent Valuer and the 2022 Valuer, we consider the selection of the Valuation Comparable Companies to be reasonably validated.

6.6.2 Valuation benchmark multiple and adjustments

We noted the EV/EBITDA Multiple was also adopted by the 2022 Valuer mainly for reason that (i) it measures the profitability of the company as an entire firm and is considered to be capital structure neutral; and (ii) it focuses on the cash flows of the company without being influenced by its financing and depreciation and amortization policies. We further noted that both the 2022 Valuer and the Independent Valuer selected the median EV/EBITDA Multiple of their respective comparable companies, and used Normalised LTM EBITDA of the Target Group (notwithstanding with a different trailing 12 months given the difference in timing between the two valuation reports), in deriving the enterprise value of the Target Group.

We however noted that the 2022 Valuer referenced to Mergerstat Control Premium Study and applied a control premium, and at the same time referenced to the 2020 edition of the Stout Restricted Stock Study for a lack of marketability discount when deriving its appraised value for the then Target Group. On the other hand, the Independent Valuer made reference to other sources considered reliable and relevant, including the 2022 edition of the Stout Restricted Stock Study Companion Guide on the lack of marketability discount (which we understand from the Independent Valuer to be the latest edition of the same source relied upon by the 2022 Valuer when discounting for lack of marketability) and adjusted for size, country risk and lack of marketability in deriving the 2023 Target Group Appraised Value. While we were not involved in any capacity in the 2022 Acquisition and accordingly is not in the position to opine or provide any view as to the Previous Valuation Report, we consider the application of control premium at the relevant time where the Group first acquired a controlling stake in the Target Group to be generally acceptable. On the other hand, we consider the approach of the Independent Valuer to take into account additional factors of country risk and size in the 2023 Target Group Valuation to be a more prudent approach.

6.6.3 Valuation procedures and appraised value

In comparison of the appraised value of the Target Group in the Previous Valuation Report with the 2023 Target Group Appraised Value, we noted that:

- there was an improvement in the normalised EBITDA of the Target Company of around HK$1.6 million; and

- while the median unadjusted EV/EBITDA Multiple of the Valuation Comparable Companies (of 6.09) is relatively comparable to the median EV/EBITDA Multiple (no adjustment made) of the comparable companies selected in the Previous Valuation Report of 6.31, as a result of the additional adjustments made for the size and country risk factors, the adjusted median EV/EBITDA Multiple of 5.39, which was applied to derive the 2023 Target Group Appraised Value, was notably lower than the median EV/EBITDA Multiple (being 6.31) applied for deriving the appraised value of the Target Group in the Previous Valuation Report.

On the basis of the foregoing, we consider the valuation procedures and parameters adopted in deriving the 2023 Target Group Appraised Value, when compared to that adopted under the Previous Valuation Report, and taking into account the similarities in terms of the selected comparable companies, valuation methodology and benchmark multiple, to be relatively prudent and reasonable.

D. RECOMMENDATION

We have considered the principal factors and reasons presented in this letter and, in particular, have taken into account, without limitation, the following in arriving at our opinion:

- the Group's leasing services is material to the Group's overall financial performance, and the Target Group had contributed materially and positively to the said segment and the overall results of the Group;
- the Acquisition Consideration and the corresponding basis of determination are fair and reasonable and in the interests of the Company and its Shareholders as a whole, having considered that:
- the implied valuation based on the Acquisition Consideration represented only an incremental increase of less than HK$3 million from the implied valuation of the 2022 Acquisition, and represented a discount of around 15% to the 2023 Target Group Appraised Value;
- the subject target company under the 2022 Acquisition was the same company as the Acquisition and that net asset position and scale of business of the Target Group had both improved;
- the 2022 Acquisition (including the implied valuation) was approved by the Independent Shareholders which signified their endorsement for the then implied valuation;
- the Target Group had remained profitable throughout a challenging period of economic downturn and interest-rate increase cycle which demonstrated the Group's ability to manage the business and operations of the Target Group since the 2022 Acquisition;
- as a profitable contributor to the Group, acquiring 100% ownership of the Target Group would enable the Group to reap the full benefits and results derived from the Target Group;
- a complete ownership in the equity interest of the Target Group provides the Management with complete control over its leasing business to implement operational and business strategies as considered desirous to further integrate the Group's ecosystem and development as a whole;

- based on our review and analysis of the latest reported financial position of the Group, the general market and investor sentiment at present and the Group's recent efforts in reducing its debt and gearing situation (particularly the 2022 Disposal), the issuance of Consideration Shares (as opposed to tapping on internal cash resources or using equity/debt fundraising to acquire external funds) is a more feasible, reasonable and overall beneficial method in settling the Acquisition Consideration;

- the Subscription, being a debt capitalisation arrangement, can further reduce the Group's debt while conserving its cash resources for operational needs and business development, bringing about an improved debt-to-asset and debt-to-equity ratio, a lower gearing level and a further improved net liability/asset position; and the controlling Shareholder's willingness to accept equity in lieu of debt demonstrates their continuous confidence in the Group's prospects and their commitment to providing ongoing support to the Group;

- the issue price of the Consideration Shares and the Subscription Price, while represented a discount of approximately 9.52% from the closing price of HK$0.42 on the Last Trading Day and approximately 24.00% from the closing price of HK$0.50 on the Latest Practicable Date, it nonetheless represented a premium of approximately 3.5% over the average closing price of HK$0.367 as quoted on the Stock Exchange for the 73 consecutive trading days since the Trading Resumption up to the Last Trading Day; and

- the issue price of the Consideration Shares and the Subscription Shares are both in line with their respective comparable transactions, and the discount of 9.52% of the Issue Price and Subscription Price over the closing price of the Shares on the Last Trading Day is well within the allowable discount for a share issuance under a general mandate granted by Shareholders in the annual general meeting of the Company.

On the basis of the foregoing and our analyses set out in this letter, we are of the view that, although the Acquisition and the Subscription is not in the ordinary and usual course of business of the Group, the Acquisition and the Subscription are on normal commercial terms, and their respective terms, including the grant of the Specific Mandate for the issue of the Consideration Shares and the Subscription Shares, are fair and reasonable so far as the Independent Shareholder are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution approving (i) the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder and (ii) the granting of the Specific Mandate to issue and allot the Consideration Shares and the Subscription Shares to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Central China International Capital Limited

Elain Wong
General Manager

Note: Ms. Elain Wong is a responsible officer of Central China International Capital Limited registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 22 years of experience in securities industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2021, 2022, 2023 and for the six months ended 30 September 2023 are disclosed in the documents, which have been published and are available on the website of the Stock Exchange (https://www.hkexnews.hk) and the website of the Company (https://www.chinarzfh.com):

- the annual report of the Company for the year ended 31 March 2021 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0728/2021072800906.pdf), please refer to pages 54 to 108 in particular;

- the annual report of the Company for the year ended 31 March 2022 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0926/2022092601582.pdf), please refer to pages 46 to 136 in particular;

- the annual report of the Company for the year ended 31 March 2023 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0727/2023072700299.pdf), please refer to pages 76 to 172 in particular; and

- the interim results announcement of the Company for the six months ended 30 September 2023 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1130/2023113001490.pdf), please refer to pages 1 to 16 in particular.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding indebtedness as follows:

Borrowings

As at the close of business on 31 October 2023, the Group had outstanding borrowings comprising (i) bank borrowings of approximately HK$2,571,000 which are unsecured and guaranteed by two directors of the Company's subsidiary; (ii) an outstanding carrying amount of loan note of approximately HK$11,599,000 which is unsecured and unguaranteed; (iii) amounts due to directors of the Company's subsidiary of approximately HK$997,000 which are unsecured and unguaranteed; (iv) amount due to a shareholder of the Company of HK$27,886,000 which is unsecured and unguaranteed; and (v) amount due to a related party of approximately HK$34,007,000 which is unsecured and unguaranteed.

Lease liabilities

As at the close of business on 31 October 2023, the Group had outstanding lease liabilities of approximately HK$2,721,000 measured at the present value of the remaining lease payments. The lease liabilities were secured by rental deposits of approximately HK$646,000 and unguaranteed.

Contingent consideration payables

As at the close of business on 31 October 2023, the Group had unsecured and unguaranteed contingent consideration payables of (i) promissory notes in aggregate amount of approximately HK$2,407,000 to be issued by the Company to the shareholder of the Company; (ii) cash consideration payable estimated to be approximately nil; and (iii) derivative financial liability of HK$4,479,000.

Convertible bonds

As at the close of business on 31 October 2023, the Group had an outstanding carrying amount of convertible bonds, being unsecured and unguaranteed, of approximately HK$2,033,000.

Contingent liabilities or guarantees

As at the close of business on 31 October 2023, the Group did not have any contingent liabilities or guarantees. Save as the borrowings of approximately HK$77.1 million, lease liabilities of approximately HK$2.7 million, contingent consideration payables of approximately HK$6.9 million and convertible bonds of approximately HK$2.0 million as disclosed above, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, which were either guaranteed, unguaranteed, secured and unsecured, any mortgages and charges or any contingent liabilities or guarantees at the close of business on 31 October 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

3. WORKING CAPITAL STATEMENT

As at 31 October 2023, the Enlarged Group had outstanding borrowings comprising (i) bank borrowings of approximately HK$2,571,000; (ii) an outstanding carrying amount of loan note of approximately HK$11,599,000; (iii) amounts due to directors of the Company's subsidiary of approximately HK$997,000; (iv) amount due to a shareholder of the Company of HK$27,886,000; and (v) amount due to a related party of approximately HK$34,007,000, whereas its cash and cash equivalents maintained was approximately HK$17,481,000 only as at the same date.

These conditions indicate that a material uncertainty exists that may cast significant doubt about the Enlarged Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the Directors have prepared a cash flow forecast covering a period of 15 months from the end of the reporting period. In doing so, they have given careful consideration to the future liquidity and cash flows of the Enlarged Group in assessing whether the Enlarged Group will have sufficient financial resources to continue as a going concern after taking account of the following plans and measures:

(i) obtaining new funding sources (such as obtaining additional loan facilities from other related parties if necessary) and utilising the unused loan facility of approximately HK$32.9 million as at the Latest Practicable Date under an unsecured term loan facility in an aggregate amount of HK$93.5 million carrying an interest at 5% to 6% per annum provided by the Offeror and a related party to the Enlarged Group to finance the general working capital of the Company;

(ii) successful execution of the Subscription Agreement, in which certain number of shares of the Company to be further issued so as to offset against certain liabilities of the Group, including the outstanding carrying amount due to the Offeror by the Company of approximately HK$27,886,000 and outstanding carrying amount of unsecured loan note of HK$11,599,000 issued by the Company to the Offeror with the principal amount of approximately HK$13.2 million (carried at an coupon rate of 4.58% per annum with the maturity date falling on 3 March 2025) and the related accrued and unpaid interests; and

(iii) taking active measures to control administrative costs to improve the Enlarged Group's operating cash flows and financial position.

The Directors have reviewed the Enlarged Group's cash flow projections which cover a period of not less than twelve months from the date of this circular. The Directors, after making due and careful enquiry, after taking into account the abovementioned plans and measures, are of the opinion that the Enlarged Group will have sufficient working capital for its normal business operation for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Following the Completion, the Group intends to continue the operation of its existing principal business in (i) the provision of leasing services in the PRC and (ii) related valued added services including the provision of due diligence, credit investigation and debt collection services in Hong Kong, the PRC and Singapore. The management is most eager to fully consolidate the recurring income of the Group by the Acquisition of the Target Group.

Based on the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, assuming that Acquisition Completion had taken place on 31 March 2023, the total assets of the Group would have remained at approximately HK$93.6 million on a pro forma basis, the total liabilities of the Group would have increased from approximately HK$118.6 million to approximately HK$119.6 million on a pro forma basis, and the net liabilities of the Group would have increased from approximately HK$25.0 million to approximately HK$26.0 million on a pro forma basis. Accordingly, the Group believes that its long-term business strategy can be substantiated and realised through the Acquisition, and that the potential business growth prospect of the Target Group would allow the Group to stand in good position as disclosed in the section headed "Reasons for and benefits of the Acquisition" under the "Letter from the Board" to this circular. The Board is optimistic about the future development in automobile leasing business as well as the profitability of the Enlarged Group.

Looking forward, the Group is likely to face many challenges due to the continuous unfavourable economic and political conditions. Despite these uncertainties, the Group strive to overcome these difficulties with unified efforts to achieve steady growth and to continue business development through the diversification of income sources and associated business risks. Apart from the Acquisition, the Group would continue to make further efforts to expand its leasing services in other locations in order to enhance synergies across multiple platforms within our ecosystem, strengthen cooperation, further enrich various financial services, while mitigate and diversify business risk in order to achieve sustainable source of revenue. The Group firmly believes that leasing and other financial services has significant potential in serving the economy, thus contributing sustainable revenue to the Group and creating value for the Shareholders.

6. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

Since 31 March 2023, being the date to which the latest published audited accounts of the Group were made up, save for the Acquisition, no member of the Group has acquired or agreed to be acquired or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Group.

The following is the text of a report received from the Company's reporting accountants, Moore CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

MOORE

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會計師事務所有限公司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of Ultimate Harvest Global Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II-4 to II-57, which comprises the consolidated statements of financial position as at 31 March 2021, 2022 and 2023 and 30 September 2023 and the statement of the financial position of the Target Company as at 30 September 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 March 2021, 2022, 2023 and for the six months ended 30 September 2023 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-57 forms an integral part of this report, which has been prepared for inclusion in the circular of China Rongzhong Financial Holdings Company Limited (the "Company") dated 13 December 2023 (the "Circular") in connection with the proposed acquisition of the additional 49% equity interest in the Target Company by the Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 30 September 2023 and Target Group as at 31 March 2021, 2022 and 2023 and 30 September 2023 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Moore CPA Limited
Certified Public Accountants
Lai Hung Wai
Practising Certificate Number: P06995

Hong Kong, 13 December 2023

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The underlying financial statements of the Target Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Moore CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	Year ended 31 March	Year ended 31 March	Six months ended 30 September	
		2021	2022	2023	2022	2023
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	7	10,048	31,024	42,126	21,849	19,708
Other income	7	22	42	23	11	18
Cost of services		(6,088)	(23,656)	(31,303)	(16,005)	(16,905)
Staff costs		(114)	(508)	(748)	(330)	(446)
Impairment losses and provision of expected credit losses	8	–	(4,461)	(322)	(360)	(58)
Other operating expenses		(177)	(746)	(759)	(460)	(761)
Finance costs	9	(385)	(1,446)	(1,578)	(835)	(586)
Profit before income tax	10	3,306	249	7,439	3,870	970
Income tax (expense)/credit	12	(14)	(29)	27	8	(10)
Profit for the year/period		3,292	220	7,466	3,878	960
Other comprehensive income/ (expense)						
Item that will not be reclassified to profit or loss:						
Exchange differences arising on translation from functional currency to presentation currency		350	391	(857)	(1,206)	(730)
Total comprehensive income for the year/period		3,642	611	6,609	2,672	230

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March 2021 HK$'000	As at 31 March 2022 HK$'000	As at 31 March 2023 HK$'000	As at 30 September 2023 HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*14*	38,586	58,543	46,985	37,668
Current assets					
Receivables arising from sale and leaseback arrangements	*16*	257	–	–	–
Trade receivables	*17*	449	1,574	778	392
Prepayments, deposits and other receivables	*18*	426	84	18	17
Tax receivables		–	–	23	75
Amount due from a related party	*22*	–	136	–	–
Cash and cash equivalents	*19*	2,920	5,352	6,198	8,692
		4,052	7,146	7,017	9,176
Current liabilities					
Trade payables	*20*	5	364	87	187
Deposits from customers		5,826	10,738	8,977	6,739
Other payables and accrued charges	*21*	899	304	268	483
Deferred income		83	–	–	–
Contract liabilities		–	155	195	182
Amount due to a shareholder	*23*	–	29	29	29
Amount due to immediate holding company	*23*	–	–	17	34
Amounts due to related parties	*22*	27,290	–	28,679	23,210
Tax liabilities		6	11	–	–
		34,109	11,601	38,252	30,864
Net current liabilities		(30,057)	(4,455)	(31,235)	(21,688)
Total assets less current liabilities		8,529	54,088	15,750	15,980
Non-current liability					
Amounts due to related parties	*22*	–	44,947	–	–
Net assets		8,529	9,141	15,750	15,980
EQUITY					
Share capital	*24*	–*	1	1	1
Reserves	*25*	8,529	9,140	15,749	15,979
Total equity		8,529	9,141	15,750	15,980

* *The balance stated is less than HK$1,000*

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	Notes	As at 30 September 2023 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary	*15*	–*
Current liabilities		
Amount due to a shareholder		14
Amount due to immediate holding company		31
Amount due to a subsidiary		–*
		45
Net liabilities		45
EQUITY		
Share capital	*24*	1
Deficit		(46)
Total equity		(45)

* *The balance stated is less than HK$1,000*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Reserves				
	Share capital *HK$'000* *(Note 24)*	Statutory reserve *HK$'000* *(Note 25)*	Other reserve *HK$'000* *(Note 25)*	Translation reserve *HK$'000*	(Accumulated loss)/retained profits *HK$'000*	Total *HK$'000*
At 1 April 2020	–	–	1,111	–	(2)	1,109
Profit for the year	–	–	–	–	3,292	3,292
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	350	–	350
Total comprehensive income for the year	–	–	–	350	3,292	3,642
Capital contribution	–	–	3,778	–	–	3,778
Transfer to statutory reserve	–	48	–	–	(48)	–
At 31 March 2021 and 1 April 2021	–	48	4,889	350	3,242	8,529
Profit for the year	–	–	–	–	220	220
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	391	–	391
Total comprehensive income for the year	–	–	–	391	220	611
Issue of shares of the Target Company	1	–	–	–	–	1
At 31 March 2022 and 1 April 2022	1	48	4,889	741	3,462	9,141
Profit for the year	–	–	–	–	7,466	7,466
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	(857)	–	(857)
Total comprehensive (expense)/income for the year	–	–	–	(857)	7,466	6,609
Transfer to statutory reserve	–	29	–	–	(29)	–
At 31 March 2023 and 1 April 2023	1	77	4,889	(116)	10,899	15,750
Profit for the period	–	–	–	–	960	960
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	(730)	–	(730)
Total comprehensive (expense)/income for the period	–	–	–	(730)	960	230
At 30 September 2023	1	77	4,889	(846)	11,859	15,980
At 1 April 2022	1	48	4,889	741	3,462	9,141
Profit for the period	–	–	–	–	3,878	3,878
Exchange difference arising on translation from functional currency to presentation currency	–	–	–	(1,206)	–	(1,206)
Total comprehensive (expense)/income for the period	–	–	–	(1,206)	3,878	2,672
Transfer to statutory reserve	–	29	–	–	(29)	–
At 30 September 2022 (Unaudited)	1	77	4,889	(465)	7,311	11,813

* *The balance stated is less than HK$1,000*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March 2021 HK$'000	Year ended 31 March 2022 HK$'000	Year ended 31 March 2023 HK$'000	Six months ended 30 September 2022 HK$'000 (Unaudited)	Six months ended 30 September 2023 HK$'000
Cash flows from operating activities						
Profit before income tax		3,306	249	7,439	3,870	970
Adjustments for:						
Impairment losses and provision of expected credit losses	8	–	4,461	322	360	58
Depreciation of property, plant and equipment (included under cost of services)	10	2,710	5,904	7,576	3,994	3,258
Bank interest income	7	(6)	(13)	(15)	(5)	(7)
Finance costs	9	385	1,446	1,578	835	586
Loss on disposal of property, plant and equipment		284	1,450	3,551	1,525	4,392
Operating profit before working capital changes		6,679	13,497	20,451	10,579	9,257
Purchase of property, plant and equipment		(44,155)	(41,340)	(22,480)	(12,524)	(8,268)
Proceeds from disposal of rental vehicles		3,049	10,316	14,916	7,860	6,408
(Increase)/decrease in receivables arising from sale and leaseback arrangements		(263)	257	–	–	–
(Increase)/decrease in trade receivables		(449)	(1,436)	723	135	309
(Increase)/decrease in prepayments, deposits and other receivables		(425)	342	56	(22)	–
Increase in amount due to immediate holding company		–	–	17	–	16
Increase in amount due to a shareholder		–	29	–	–	–
Increase/(decrease) in contract liabilities		–	150	53	101	(4)
Increase/(decrease) in trade payables		5	371	(258)	(176)	108
Increase/(decrease) in other payables and accrued charges		896	(605)	(24)	(116)	238
Increase/(decrease) in deferred income		83	(83)	–	–	–
Increase/(decrease) in deposits received from customers		5,755	5,952	2,087	1,322	(117)

	Notes	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	Six months ended 30 September 2023
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Cash (used in) generated from operations		(28,825)	(12,550)	15,541	7,159	7,947
Income tax paid		–	(24)	(7)	(3)	(65)
Net cash (used in) from operating activities		(28,825)	(12,574)	15,534	7,156	7,882
Net cash from investing activity						
Interest received		6	13	15	5	7
Cash flows from financing activities						
Capital contribution		3,778	–	–	–	–
Issue of shares of the Target Company		–	1	–	–	–
Advances from related parties		29,881	36,810	15,125	7,653	2,045
Repayments to related parties		(2,976)	(22,338)	(26,302)	(14,985)	(6,877)
Interest paid		–	–	(3,093)	–	(168)
Net cash from (used in) financing activities		30,683	14,473	(14,270)	(7,332)	(5,000)
Net increase (decrease) in cash and cash equivalents		1,864	1,912	1,279	(171)	2,889
Cash and cash equivalents at the beginning of the year/period	*19*	742	2,920	5,352	5,352	6,198
Effect of foreign exchange rate change		314	520	(433)	(359)	(395)
Cash and cash equivalents at the end of the year/period	*19*	2,920	5,352	6,198	4,822	8,692

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General Information

The Target Company was incorporated in the British Virgin Islands with limited liability on 5 August 2021. The Target Company's registered office is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The principal place of business of the Target Company is located at Unit 3901, 39/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The Target Company is an investment holding company and has not carried on any material business. The Target Group is principally engaged in the provision of car operating lease services (the "Business") in the People's Republic of China (the "PRC").

2. Basis of Preparation and Presentation

(a) Basis of presentation and statement of compliance

The Historical Financial Information and the Stub Period Comparative Financial Information have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. The Historical Financial Information and the Stub Period Comparative Financial Information also complies with the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new and revised HKFRSs during the Track Record Period. For the purpose of preparing and presenting these Historical Financial Information and the Stub Period Comparative Financial Information, the Target Group has consistently applied all those new and revised HKFRSs throughout the Track Record Period.

The Target Group has not adopted any other new standards or interpretations that are yet to be effective in the Historical Financial Information and the Stub Period Comparative Financial Information. The new and revised accounting standards and interpretations issued but neither effective until the accounting period beginning on 1 April 2024 nor adopted by the Target Group are set out in note 3.

(b) Basis of measurement

The Historical Financial Information and the Stub Period Comparative Financial Information have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in The Historical Financial Information and the Stub Period Comparative Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Functional and presentation currency

The Historical Financial Information and the Stub Period Comparative Financial Information are presented in Hong Kong Dollar ("HK$"), which is different from the Target Company's functional currency of Renminbi ("RMB"). For the consistency with the Company and its subsidiaries' consolidated financial statements, Historical Financial Information and the Stub Period Comparative Financial Information of the Target Group are presented in HK$.

3 Application of amendments to HKFRSs

Amendments to HKFRSs in issue but not yet effective

The Target Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Target Company anticipate that the application of all amendments to HKFRSs will have no material impact on the financial information of the Target Group in the foreseeable future.

4. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Historical Financial Information and the Stub Period Comparative Financial Information of the Target Group are set out below, which have been consistently applied to the Track Record Period, unless otherwise stated.

(a) Basis of consolidation

The Historical Financial Information and the Stub Period Comparative Financial Information incorporate the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

(b) Investment in a subsidiary

In the Target Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The results of the subsidiary are accounted for by the Target Company on the basis of dividend received and receivable.

(c) Revenue from contracts with customers

The Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 "Financial Instruments". In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Target Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Target Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Target Group is an agent).

The Target Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Target Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Target Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Target Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

(d) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Target Group as a lessor

Classification and measurement of leases

Leases for which the Target Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Target Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Target Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

Interest and rental income which are derived from the Target Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Target Group applies HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Target Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(i) Operating leases

The Target Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(ii) Finance leases

The Target Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Target Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

Sale and leaseback transactions

The Target Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Target Group.

The Target Group as a buyer-lessor

For a transfer that satisfies the requirements as a sale

For a transfer of asset that satisfies the requirements of HKFRS 15 to be accounted for as a sale of asset, the Target Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with HKFRS 16.

(d) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information and the Stub Period Comparative Financial Information, the assets and liabilities of the Target Group's operations are translated into the presentation currency of the Target Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Target Company are reclassified to profit or loss.

(e) Borrowings costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(f) Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

(g) Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The Target Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme") for all of its eligible employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Target Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentage of their payroll costs to the central pension scheme.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the Stub Period Comparative Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Target Group recognises the right-of-use assets and the related lease liabilities, the Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(i) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(j) Impairment on property, plant and equipment

At the end of the reporting period, the Target Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount of property, plant and equipment individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(k) Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(l) Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Target Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the Historical Financial Information and the Stub Period Comparative Financial Information in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

(m) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at fair value through other comprehensive income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Target Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including amount due from a related party, trade receivables, deposits, other receivables and bank balances), and other items (i.e. receivables arising from sale and leaseback arrangements) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for trade receivables and lease receivables and receivables arising from sale and leaseback arrangements.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and lease receivables and receivables arising from sale and leaseback arrangements, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Target Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition. For receivables arising from sale and leaseback arrangements, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for certain trade receivables and receivables arising from sale and leaseback arrangements are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Target Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;

- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and receivables arising from sale and leaseback arrangements, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Target Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade payables, deposits from customers, other payables, amounts due to related parties and amount due to a shareholder are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Target Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(n) Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Target Group's accounting policies, which are described in note 4, the directors of the Target Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Target Company have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information and the Stub Period Comparative Financial Information.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Target Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Estimated impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Target Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve.

As at 31 March 2021, 2022 and 2023 and 30 September 2023, the carrying amounts of property, plant and equipment subject to impairment assessment were HK$38,586,000, HK$58,543,000, HK$46,985,000 and HK$37,668,000, respectively, after taking into account the impairment losses of nil, HK$4,080,000, HK$372,000 and nil, in respect of property, plant and equipment that have been recognised. Details of the impairment of property, plant and equipment are disclosed in note 14.

6. Segment Information

The Target Group operates only one business segment, being that is engaged in provision of automobile leasing services in the PRC during the Track Record Period. Accordingly, no operating segment results is presented.

(a) Geographical information

The Target Group's operations and non-current assets are all located in the PRC. Geographical information of revenue from customers is based on the location of the customers and the geographical location of the non-current assets is based on the physical location of the assets.

(b) Information about major customers

No individual customer contributed over 10% of the total revenue of the Target Group during the Track Record Period.

7. Revenue and Other Income

Revenue represents the income from automobile leasing services and sale and leaseback arrangements in the PRC. The amounts of revenue recognised during the Track Record Period are as follows:

	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15					
Recognised at point in time					
Sales of rental vehicles	3,047	11,759	17,875	9,266	8,223
Other services income	896	–	–	–	–
	3,943	11,759	17,875	9,266	8,223
Revenue from other sources					
Operating lease income	6,065	19,265	24,251	12,583	11,485
Interest income arising from sale and leaseback arrangements	40	–	–	–	–
	6,105	19,265	24,251	12,583	11,485
	10,048	31,024	42,126	21,849	19,708

An analysis of the Target Group's other income is as follows:

	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Bank interest income	6	13	15	5	7
Others	16	29	8	6	11
	22	42	23	11	18

8. Impairment Losses and Provision of Expected Credit Losses

	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	Six months ended 30 September 2023
	HK'000	*HK'000*	*HK'000*	*HK'000*	*HK'000*
				(Unaudited)	
Provision for/(reversal of) expected credit losses recognised on trade receivables	–	381	(50)	99	58
Impairment losses recognised on property, plant and equipment	–	4,080	372	261	–
	–	4,461	322	360	58

9. Finance Costs

	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	Six months ended 30 September 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest to a related party	385	1,446	1,578	835	586

10. Profit before Income Tax

The Target Group's profit before income tax is arrived at after charging:

	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	Six months ended 30 September 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Depreciation of property, plant and equipment (included under cost of services)	2,710	5,904	7,576	3,994	3,258
Employee costs (including directors' emoluments) *(note 11)*:					
Salaries, allowances and other benefits	91	391	573	256	330
Pension scheme contributions	23	117	175	74	116
	114	508	748	330	446

11. Directors' Remuneration and Five Highest Paid Individuals

(a) Directors' remuneration

The emolument of each of the directors for the Track Record Period is as follows:

For the year ended 31 March 2021

	Notes	Fees	Salaries, allowances and other benefits	Pension scheme contributions	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Ming Bun David	*(i)*	–	–	–	–
Ms. Wong Michelle Yatyee	*(ii)*	–	–	–	–
		–	–	–	–

For the year ended 31 March 2022

	Notes	Fees	Salaries, allowances and other benefits	Pension scheme contributions	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Ming Bun David	*(i)*	–	–	–	–
Ms. Wong Michelle Yatyee	*(ii)*	–	–	–	–
Ms. Wong Jacqueline Yue Yee	*(iii)*	–	–	–	–
		–	–	–	–

For the year ended 31 March 2023

	Notes	Fees	Salaries, allowances and other benefits	Pension scheme contributions	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Ming Bun David	*(i)*	–	–	–	–
Ms. Wong Michelle Yatyee	*(ii)*	–	–	–	–
Ms. Wong Jacqueline Yue Yee	*(iii)*	–	–	–	–
		–	–	–	–

For the six months ended 30 September 2023

	Notes	Fees	Salaries, allowances and other benefits	Pension scheme contributions	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Ming Bun David	*(i)*	–	–	–	–
Ms. Wong Michelle Yatyee	*(ii)*	–	–	–	–
Ms. Wong Jacqueline Yue Yee	*(iii)*	–	–	–	–
		–	–	–	–

For the six months ended 30 September 2022 (Unaudited)

	Notes	Fees	Salaries, allowances and other benefits	Pension scheme contributions	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Ming Bun David	*(i)*	–	–	–	–
Ms. Wong Michelle Yatyee	*(ii)*	–	–	–	–
Ms. Wong Jacqueline Yue Yee	*(iii)*	–	–	–	–
		–	–	–	–

Notes:

(i) Appointed on 28 September 2021.

(ii) Appointed on 28 September 2021, resigned on 3 March 2022 and reappointed on 4 March 2022.

(iii) Appointed on 4 March 2022.

(b) Five highest paid individuals

The five highest paid individuals of the Target Group included all directors for the Track Record Period whose emoluments are reflected in note 11(a). The emoluments of the five highest paid individuals were as follows:

	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowances and other benefits	91	370	514	256	282
Pension scheme contributions	23	109	158	74	98
	114	479	672	330	380

The emoluments of the five highest paid non-director individuals were within the following bands:

	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	2023
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
Nil to HK$1,000,000	2	5	5	4	5

During the Track Record Period, no director or any of the highest paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Target Group to the directors or any of the highest paid individuals of the Target Group as an inducement to join or upon joining the Target Group or as compensation for loss of office.

12. Income Tax Expense/(Credit)

	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Enterprise income tax ("EIT")					
– Current tax	14	29	–	3	10
– Over provision in prior years	–	–	(27)	(11)	–
	14	29	(27)	(8)	10

The Target Group is subject to EIT, which is provided on the estimated assessable profits of the subsidiaries operating in the PRC at 25%. For PRC subsidiaries which are qualified small low-profit enterprises are entitled to a preferential income tax rate 5% for period from 2019 to 2020, 2.5% from 2021 to 2022 and 5% from 2023 to 2024.

No provision for Hong Kong Profits Tax had been provided as the Target Group had no estimated assessable profits in Hong Kong during the Track Record Period.

The income tax expense can be reconciled to the profit before income tax per the consolidated statements of profit or loss and other comprehensive income during the Track Record Period as follows:

	Year ended 31 March	Year ended 31 March	Year ended 31 March	Six months ended 30 September	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before income tax	3,306	249	7,439	3,870	970
Tax calculated at the rates applicable to profit in the tax jurisdictions concerned	826	62	1,859	968	243
Tax effect of expenses not deductible for tax purposes	–	1,022	72	65	4
Tax effect of income not taxable for tax purposes	–	(9)	(11)	(7)	–
Tax effect of preferential tax rates for certain subsidiaries	(732)	–	(101)	(105)	(12)
Tax effect of temporary differences not recognised	–	95	–	25	15
Utilisation of deductible temporary differences previously not recognised	(89)	–	(12)	–	–
Tax effect of tax losses not recognised	20	132	278	89	479
Utilisation of tax losses previously not recognised	–	(1,276)	(2,083)	(1,030)	(718)
Over provision in prior years	–	–	(27)	(11)	–
Others	(11)	3	(2)	(2)	(1)
Income tax expense/(credit)	14	29	(27)	(8)	10

13. Dividend

No dividend has been paid or declared by the Target Company during the Track Record Period.

14. Property, Plant and Equipment

Target Group	**Rental vehicles**
	HK'000
Cost:	
At 1 April 2020	442
Additions	44,155
Disposals	(3,516)
Exchange adjustments	32
At 31 March 2021 and 1 April 2021	41,113
Additions	41,340
Disposals	(14,627)
Exchange adjustments	2,299
At 31 March 2022 and 1 April 2022	70,125
Additions	22,480
Disposals	(23,524)
Exchange adjustments	(5,098)
At 31 March 2023 and 1 April 2023	63,983
Additions	8,268
Disposals	(16,400)
Exchange adjustments	(2,050)
At 30 September 2023	53,801

Target Group	**Rental vehicles**
	HK'000
Accumulated depreciation:	
At 1 April 2020	–
Provided for the year	2,710
Eliminated on disposals	(183)
At 31 March 2021 and 1 April 2021	2,527
Provided for the year	5,904
Impairment losses recognised in profit or loss *(note)*	4,080
Eliminated on disposals	(1,437)
Exchange adjustments	508
At 31 March 2022 and 1 April 2022	11,582
Provided for the year	7,576
Impairment losses recognised in profit or loss *(note)*	372
Eliminated on disposals	(2,079)
Exchange adjustments	(453)
At 31 March 2023 and 1 April 2023	16,998
Provided for the period	3,258
Eliminated on disposals	(3,785)
Exchange adjustments	(338)
At 30 September 2023	16,133
Net carrying amounts:	
At 31 March 2021	38,586
At 31 March 2022	58,543
At 31 March 2023	46,985
At 30 September 2023	37,668

The rental vehicles of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at 12.5% per annum.

Note: Management identified impairment indicator of rental vehicles included in property, plant and equipment due to deteriorated physical conditions of the rental vehicles. After the impairment assessment by management, impairment loss of approximately nil, HK$4,080,000, HK$372,000 and nil was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021, 2022 and 2023 and six months ended 30 September 2023 respectively.

15. Investment in a Subsidiary

Target Company

	As at 30 September 2023
	HK$'000
Unlisted shares, at cost	–*

* *The balance stated is less than HK$1,000*

Particulars of the subsidiaries of the Target Company are set out in note 32.

16. Receivables Arising from Sale and Leaseback Arrangements

Target Group

	As at 31 March			As at 30 September
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Receivables arising from sale and leaseback arrangements	257	–	–	–

The receivables arising from sale and leaseback arrangements as of each Track Record Period are further analysed as follows:

	Minimum lease payments			
		As at 31 March		As at 30 September
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	269	–	–	–
Less: Unearned finance income	(12)	–	–	–
	257	–	–	–

The Target Group entered into sale and leaseback arrangements for machinery. The term of finance lease entered into is 1.5 years. The lease is on a fixed repayment basis and no arrangements have been entered into for variable lease payments. The effective interest rates of the above lease receivables is 13% per annum as at 31 March 2021. The customers are obliged to settle the amounts according to the terms set out in the relevant contracts and acquire the leased assets at the end of the lease period at nil consideration.

17. Trade Receivables

Target Group

		As at 31 March		As at 30 September
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	449	1,969	1,083	740
Less: allowance for credit losses	–	(395)	(305)	(348)
Net trade receivables	449	1,574	778	392

The ageing analysis of trade receivables based on the invoice date as at the end of the Track Record Period is as follows:

	As at 31 March			As at 30 September
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	235	557	450	248
31 to 60 days	114	679	156	56
61 to 90 days	31	96	42	48
Over 90 days	69	242	130	40
	449	1,574	778	392

Further details on the Target Group's credit policy and credit risk arising from trade receivables are set out in note 28(b).

The customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers.

18. Prepayments, Deposits and Other Receivables

Target Group

	As at 31 March			As at 30 September
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	41	36	–	–
Deposits	19	12	11	10
Other receivables	366	36	7	7
	426	84	18	17

19. Cash and Cash Equivalents

Target Group

				As at
		As at 31 March		30 September
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks	2,920	5,352	6,198	8,692

20. Trade Payables

Target Group

The ageing analysis of trade payables based on the invoice date as at the end of the Track Record Period is as follows:

				As at
		As at 31 March		30 September
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	1	222	56	72
31 to 60 days	3	–	–	–
Over 60 days	1	142	31	115
	5	364	87	187

21. Other Payables and Accrued Charges

Target Group

				As at
		As at 31 March		30 September
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	20	50	79	66
Other payables	844	135	70	301
Other tax payables	35	119	119	116
	899	304	268	483

22. Amounts Due from/(to) Related Parties

Target Group

	As at 31 March			As at 30 September
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
上海南朗融資租賃有限公司 ("Shanghai Nanlang"*) *(Note i)*	(26,100)	(44,947)	(28,679)	(23,210)
Nanjing Excellent Link Consultancy Company Limited* (南京卓領資訊諮詢有限公司) *(Note i)*	(595)	–	–	–
金榜(深圳)房產科技有限公司 *(Note i)*	(595)	–	–	–
溫州金眾匯汽車租賃服務有限公司 *(Note ii)*	–	136	–	–
	(27,290)	(44,811)	(28,679)	(23,210)

* *For identification purpose only*

Notes:

(i) These companies are indirectly owned subsidiaries of Goldbond Group Holdings Limited, the ultimate holding company of the Target Company.

(ii) This company is an indirectly owned subsidiary of China Rongzhong Financial Holdings Company Limited, the immediate holding company of the Target Company.

As at 31 March 2021, amount due to Shanghai Nanlang of approximately HK$26,100,000 was carried interest at 4.5% per annum and repayable on demand, and hence the amount was classified as current.

On 15 November 2021, the Target Group entered into a supplementary agreement Shanghai Nanlang, of which the repayable on demand clauses were agreed to be removed from the agreement. As at 31 March 2022, amount due to Shanghai Nanlang of approximately HK$44,947,000 was carried interest at 4.5% per annum, which was payable after next twelve months from the date of the end of its reporting period and hence the amount was classified as non-current.

As at 31 March 2023, amount due to Shanghai Nanlang of approximately HK$28,679,000 was carried at interest 4.5% per annum, which was payable within twelve months from the date of the end of its reporting period and hence the amount was classified as current.

On 28 June 2023, the Target Group entered into another supplementary agreement with Shanghai Nanlang and the maturity date of the loan facilities was further extended to 1 July 2024. As at 30 September 2023, amount due to Shanghai Nanlang of approximately HK$23,210,000 was carried interest at 5% per annum, which was payable within twelve months from the date of the end of its reporting period and hence the amount was classified as current. The corresponding interest expenses was recognised as "finance costs" in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2021, 2022 and 2023 and six months ended 30 September 2023 (note 9).

Except as mentioned above, the amounts were unsecured, interest-free and repayable on demand.

23. Amounts Due to a Shareholder and Immediate Holding Company

The amounts are unsecured, interest-free and repayable on demand.

24. Share Capital

The Target Company was incorporated in the British Virgin Islands as an exempted company on 5 August 2021. Upon the Target Company's incorporation, the authorised share capital of United States Dollars ("US$") 50,000 divided into 50,000 ordinary shares of US$1 each. 1 share and 99 shares were allotted and issued on 28 September 2021 and 22 October 2021 respectively.

25. Reserves

Target Group

The amounts of the Target Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statements of changes in equity on page II-7 of this report.

Other reserve

Other reserve represents the aggregate amount of the paid-in capital of 湖州金寓宏汽車租賃服務有限公司 at the respective dates.

Statutory reserve

Statutory reserve represents appropriation of profits of the PRC subsidiaries to non-distributable reserve fund account as required by the relevant PRC statute.

26. Operating Lease Arrangements

The Target Group as a lessor

All of the rental vehicles held by the Target Group for rental purposes have committed lessees for the next one year. Certain of the Target Group's motor vehicles held for rental purposes, with a carrying amount of HK$3,333,000, HK$13,190,000, HK$21,445,000 and HK$12,615,000 have been disposed of since the end of 31 March 2021, 2022 and 2023 and 30 September 2023 respectively.

	31 March			30 September
	2021	**2022**	**2023**	**2023**
	HK'000	*HK'000*	*HK'000*	*HK'000*
Within one year	11,632	16,857	21,280	9,958

27. Financial Instruments By Category

Target Group

Categories of financial instruments as at the reporting date are as follows:

	As at 31 March			As at 30 September
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
At amortised costs				
Receivables arising from sale and leaseback arrangements	257	–	–	–
Trade receivables	449	1,574	778	392
Deposits and other receivables	385	48	18	17
Amount due from a related party	–	136	–	–
Cash and cash equivalents	2,920	5,352	6,198	8,692
	4,011	7,110	6,994	9,101

		As at 31 March		As at 30 September
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities				
At amortised costs				
Trade payables	5	364	87	187
Deposits from customers	5,826	10,738	8,977	6,739
Other payables	844	135	70	301
Amounts due to related parties	27,290	44,947	28,679	23,210
Amount due to a shareholder	–	29	29	29
Amount due to immediate holding company	–	–	17	34
	33,965	56,213	37,859	30,500

28. Financial Risk Management Objectives and Policies

The Target Group's financial instruments comprise receivables arising from sale and leaseback arrangement, trade receivables, deposits and other receivables, amount due from a related party, cash and cash equivalents, trade payables, deposits from customers, other payables, amounts due to related parties, amount due to a shareholder and amount due to immediate holding company. These financial instruments mainly arise from its operations and financing activities. The Target Group has not used any derivatives and other instruments for hedging purposes.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk, liquidity risk and fair value risk. The board of the directors of the Target Company reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Target Group facing the risk of changes in market interest rate.

The Target Group's interest rate risk primarily relates to the interest bearing bank balances. The Target Group currently have not used any interest rate swaps to hedge its exposure to interest rate but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure should the need arise.

The directors of the Target Company are of the opinion that the impact of the Target Group's sensitivity to the change in interest rate is insignificant.

(b) Credit risk

The Target Group's credit risk is primarily attributed to its receivables arising from sale and leaseback arrangement, trade receivables, amount due from a related party, deposits and other receivables and bank balances. The Target Company's credit risk is primarily attributed to amount due from shareholder.

For trade receivables, the Target Group reassesses the lifetime ECL at the end of the reporting period to ensure the adequate impairment losses are made for significant increases in the likelihood or risk of default occurring since initial recognition.

The Target Group applies provision matrix to measure the ECL for trade receivables. As at 31 March 2021, 2022 and 2023 and 30 September 2023, the Target Group has established a provision matrix that reference to the debtors' characteristics, including historical actual loss on the trade receivables and adjusted forward-looking information. In addition, the Target Group performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually and/or collectively. Impairment of/(reversal of) of nil, HK$381,000, (HK$50,000) and HK$58,000 is recognised during the year ended 31 March 2021, 2022 and 2023 and six months ended 30 September 2023 respectively.

For receivables arising from sale and leaseback arrangement, deposits and other receivables and amount due from a related party, the Target Group and the Target Company have assessed and concluded that the ECL for these receivables is insignificant based on the risk of default of those counterparties under 12 months ECL approach. Thus, no loss allowance was recognised as at 31 March 2021, 2022 and 2023 and 30 September 2023.

The credit risk for bank balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) Liquidity risk

The Target Group is exposed to liquidity risk in respect of settlement of payables and amounts due to related parties, and also in respect of its cash flow management. The Target Group's policy is to regularly monitor its liquidity requirements to ensure the Target Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Target Group's policy is to regularly monitor its liquidity requirements to ensure the Target Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at each reporting period of the Target Group's and Target Company's financial liabilities, based on undiscounted cash flows and the earliest date the Target Group and Target Company can be required to pay.

Target Group

	Carrying amount	Total contractual undiscounted cash flow	One to two years	Within one year or on demand
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2021				
Trade payables	5	5	–	5
Deposits from customers	5,826	5,826	–	5,826
Other payables	844	844	–	844
Amounts due to related parties	27,290	27,290	–	27,290
	33,965	33,965	–	33,965

	Carrying amount	Total contractual undiscounted cash flow	One to two years	Within one year or on demand
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2022				
Trade payables	364	364	–	364
Deposits from customers	10,738	10,738	–	10,738
Other payables	135	135	–	135
Amounts due to related parties	44,947	47,289	47,289	–
Amount due to a shareholder	29	29	–	29
	56,213	58,555	47,289	11,266

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	One to two years *HK$'000*	Within one year or on demand *HK$'000*
At 31 March 2023				
Trade payables	87	87	–	87
Deposits from customers	8,977	8,977	–	8,977
Other payables	70	70	–	70
Amounts due to related parties	28,679	28,998	–	28,998
Amount due to a shareholder	29	29	–	29
Amount due to immediate holding company	17	17	–	17
	37,859	38,178	–	38,178

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	One to two years *HK$'000*	Within one year or on demand *HK$'000*
At 30 September 2023				
Trade payables	187	187	–	187
Deposits from customers	6,739	6,739	–	6,739
Other payables	301	301	–	301
Amounts due to related parties	23,210	24,061	–	24,061
Amount due to a shareholder	29	29	–	29
Amount due to immediate holding company	34	34	–	34
	30,500	31,351	–	31,351

Included in the amounts due to related parties, the interest-bearing revolving loan agreement contains repayment on demand clause giving the lender unconditional right to call for repayment of the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand" as at 31 March 2021.

Target Company

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand
	HK$'000	*HK$'000*	*HK$'000*
At 30 September 2023			
Amount due to a shareholder	14	14	14
Amount due to immediate holding company	31	31	31
Amount due to a subsidiary	–*	–*	–*
	45	45	45

* *The balance stated is less than HK$1,000*

(d) Fair value risk

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Target Group's Historical Financial Information approximate to their fair values.

29. Capital Management

The Target Group's capital management objectives include:

(i) to safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Target Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Target Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The capital structure of the Target Group consists of equity attributable to owners of the Target Company, comprising issued share capital.

30. Related Party Transactions

Target Group

Save as disclosed elsewhere in this report, the Target Group entered into the following material related party transactions with a related party during the Track Record Period:

(i) Related party transactions

	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	Six months ended 30 September 2022	Six months ended 30 September 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Finance costs *(Note)*	385	1,446	1,578	835	586

Note: Finance costs are payable to an indirectly owned subsidiary of the ultimate holding company of the Target Company.

(ii) Compensation of key management personnel

The emoluments of the directors who are also identified as the key management of the Target Company during the Track Record Period are set out in note 11.

31. Reconciliation of liabilities arising from financing activities

	Amounts due to related parties
	HK$'000
At 1 April 2020	–
Financing cash flows	26,905
Interest expenses	385
At 31 March 2021 and 1 April 2021	27,290
Financing cash flows	14,472
Interest expenses	1,446
Exchange adjustments	1,603
At 31 March 2022 and 1 April 2022	44,811

	Amounts due to related parties
	HK$'000
At 31 March 2022 and 1 April 2022	44,811
Financing cash flows	(14,270)
Interest expenses	1,578
Exchange adjustments	(3,440)
At 31 March 2023 and 1 April 2023	28,679
Financing cash flows	(5,000)
Interest expenses	586
Exchange adjustments	(1,055)
At 30 September 2023	23,210
At 1 April 2022	44,811
Financing cash flows	(7,332)
Interest expenses	835
Exchange adjustments	(3,866)
At 30 September 2022 (Unaudited)	34,448

32. Particulars of subsidiaries of the Target Company

Name of subsidiary	Date of incorporation	Place of incorporation/ registered	Paid up issued/ registered capital	Percentage of attributable equity interest As at 31 March 2021	2022	2023	As at 30 September 2023	Principal activities/place of operations
Directly owned								
Harvest Well Limited	17 September 2021	Hong Kong	Ordinary shares of HK$1	N/A	100%	100%	100%	Investing holding/Hong Kong
Indirectly owned								
金寓滙宏管理咨詢(上海)有限公司 *(note)*	29 December 2021	The PRC	Registered capital of RMB30,000,000	N/A	100%	100%	100%	Investing holding/The PRC
湖州金寓宏汽車租賃服務有限公司 *(note)*	23 December 2019	The PRC	Registered capital of RMB30,000,000	100%	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
寧波宏悦汽車租賃服務有限公司 *(note)*	10 January 2022	The PRC	Registered capital of RMB4,000,000	N/A	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
湖州卓凡汽車租賃服務有限公司 *(note)*	30 September 2020	The PRC	Registered capital of RMB30,000,000	100%	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
湖州卓安汽車租賃服務有限公司 *(note)*	18 November 2021	The PRC	Registered capital of RMB4,000,000	N/A	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
台州金寓宏汽車租賃服務有限公司 *(note)*	17 December 2021	The PRC	Registered capital of RMB4,000,000	N/A	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
寧波金寓宏汽車租賃服務有限公司 *(note)*	27 May 2020	The PRC	Registered capital of RMB30,000,000	100%	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
嘉興金寓宏汽車租賃服務有限公司 *(note)*	9 September 2020	The PRC	Registered capital of RMB30,000,000	100%	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
嘉興卓凡汽車租賃服務有限公司 *(note)*	12 November 2021	The PRC	Registered capital of RMB4,000,000	N/A	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
紹興金寓宏汽車租賃服務有限公司 *(note)*	29 May 2020	The PRC	Registered capital of RMB30,000,000	100%	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
紹興卓領汽車服務有限公司 *(note)*	26 October 2020	The PRC	Registered capital of RMB30,000,000	100%	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
寧波卓領汽車租賃服務有限公司 *(note)*	23 March 2021	The PRC	Registered capital of RMB4,000,000	100%	100%	100%	100%	Provision of operating lease of motor vehicles services/The PRC
嘉興卓安汽車租賃服務有限公司 *(note)*	22 September 2022	The PRC	Registered capital of RMB4,000,000	N/A	N/A	100%	100%	Provision of operating lease of motor vehicles services/The PRC

Note: It is a wholly foreign owned enterprise established in the PRC.

III SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 September 2023 and up to the date of this report.

Set out below is the management discussion and analysis of the Target Group for the last three financial years ended 31 March 2023 and for the six months ended 30 September 2022 and 2023 (collectively, the "Reporting Period"). The following financial information is based on the Accountants' Report on the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Company is an investment holding company incorporated in the British Virgin Islands on 5 August 2021 with limited liability. Upon completion of the Acquisition, the Company will wholly hold the issued share capital of the Target Company.

As at the Latest Practicable Date, 49% of the issued share capital of the Target Company was owned by the Offeror. The PRC Subsidiaries, which are indirectly wholly-owned by the Target Company, are engaged in the automobile leasing business. The PRC Subsidiaries established their first business of automobile operating lease in Huzhou, the PRC in March 2020, and in view of the strong momentum of such business, the PRC Subsidiaries have subsequently set up and expanded their operating lease business into new strategic locations in the PRC, including three locations in Ningbo, two locations in Shaoxing, three locations in Jiaxing, one location in Taizhou, one location in Jinhua, one location in Wenzhou and two additional new locations also in Huzhou. In November 2023, the Target Group established two additional subsidiaries in the PRC in order to facilitate and further expand the automobile leasing business, cope with the additional market demand and also enhance the efficiency in management of the automobile leasing business of the Target Group in different locations. The establishment of the two additional subsidiaries was financed by the working capital of the Target Group.

At present, these are 168 million people in the PRC who have car licenses but do not own a car. In view of such potential demand, the Group believes that the automobile operating lease market is expected to grow.

In respect of the automobile leasing business, the PRC Subsidiaries (being the lessors) deliver automobiles to the end users (being the lessees) who will in return make periodic lease payments to the PRC Subsidiaries.

FINANCIAL REVIEW

Revenue

The revenue generated by the Target Group mainly represented the income from automobile leasing services and sale of rental automobiles in the PRC.

The Target Group recorded revenue of approximately HK$10.0 million, HK$31.0 million, HK$42.1 million, HK$21.8 million and HK$19.7 million, respectively for the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2022 and 2023. The revenue increased from HK$10.0 million for the year ended 31 March 2021 to HK$31.0 million for the year ended 31 March 2022; and increased from HK$31.0 million for the year ended 31 March 2022 to HK$42.1 million for the year ended 31 March 2023 were mainly due to the expansion and growth of the automobile leasing business after the establishment of the first automobile leasing business in Huzhou, the PRC in March 2020. The revenue decreased from HK$21.8 million for the six months ended 30 September 2022 to HK$19.7 million for the six months ended 30 September 2023 was mainly due to the implementation of more stringent risk control measures resulted in a slight decrease in the number of automobile leasing application cases passing risk control review.

Cost of sales of property, plant and equipment

The cost of sales of property, plant and equipment incurred by the Target Group mainly represented cost of sales of automobiles and in-car equipment.

The Target Group recorded cost of sales of property, plant and equipment of approximately HK$6.1 million, HK$23.7 million, HK$31.3 million, HK$16.0 million and HK$16.9 million, respectively for the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2022 and 2023.

Other income

The other revenue generated by the Target Group mainly represented bank interest income and others.

The Target Group recorded other revenue of approximately HK$22,000, HK$42,000, HK$23,000, HK$11,000 and HK$18,000, respectively for the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2022 and 2023.

Staff cost

The staff cost generated by the Target Group mainly represented salaries paid to employee.

The Target Group recorded staff cost of approximately HK$114,000, HK$508,000, HK$748,000, HK$330,000 and HK$446,000, respectively for the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2022 and 2023.

Impairment losses and provision of expected credit losses

The impairment losses and provision of expected credit losses of the Target Group mainly represented impairment losses on the Target Group's rental automobiles and trade receivables.

The Target Group recorded impairment losses and provision of expected credit losses of approximately HK$nil, HK$4,461,000, HK$322,000, HK$360,000 and HK$58,000, respectively for the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2022 and 2023. The impairment losses and provision of expected credit losses decreased since the year ended 31 March 2022 was mainly due to the implementation of more stringent risk control measures.

Other operating expenses

The other operating expenses incurred by the Target Group mainly represented travelling and accommodation, legal and professional fee and sundry expenses.

The Target Group recorded other operating expenses of approximately HK$117,000, HK$746,000, HK$759,000, HK$460,000 and HK$761,000, respectively for the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2022 and 2023.

Finance cost

The finance cost incurred by the Target Group mainly represented the interest of loan from a related party.

The Target Group recorded finance cost of approximately HK$385,000, HK$1,446,000, HK$1,578,000, HK$835,000 and HK$586,000, respectively for the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2022 and 2023.

Profit for the year/period

The Target Group recorded a profit for the year/period of approximately HK$3.3 million, HK$0.2 million, HK$7.5 million, HK$3.9 million and HK$1.0 million, respectively for the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2022 and 2023.

Capital structure, liquidity and financial resources

During the Reporting Period, the Target Group mainly financed its operation by (i) cash flow from operation, the Target Group had cash and cash equivalents of approximately HK$2.9 million, HK$5.4 million, HK$6.2 million and HK$8.7 million as at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023, respectively and (ii) amounts due to related parties of approximately HK$27.3 million, HK$44.9 million, HK$28.7 million and HK$23.2 million as at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023, respectively. The amounts due to the related parties were unsecured and repayable on demand.

During the Reporting Period, the Target Group did not have any formal hedging policies and no financial instrument was used for hedging purpose.

As at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023, the Target Group recorded net current liabilities of approximately HK$30.1 million, HK$49.4 million, HK$31.2 million and HK$21.7 million, respectively and the net current liabilities were mainly due to the nature of the operating lease business of the Target Group. The Target Group acquired the rental vehicles, which are classified as non-current assets, for its operating lease business of approximately HK$44.2 million, HK$41.3 million, HK$22.5 million and HK$8.3 million for the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2023 respectively. The acquisition of non-current assets was mainly financed by the capital contribution, deposit from customers and the advance from Shanghai Nanlang. The balances advance from Shanghai Nanlang of approximately HK$26.1 million, HK$44.9 million, HK$28.7 million and HK$23.2 million as at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023, respectively, were with interest at 4.5% per annum and repayable on demand. As the advance from Shanghai Nanlang was classified as current liabilities in the consolidated financial position of the Target Group, net current liabilities of approximately HK$30.1 million, HK$49.4 million, HK$31.2 million and HK$21.7 million were recorded as at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023 respectively. On 28 June 2023, the Target Group entered into a supplementary agreement with Shanghai Nanlang and extended the maturity date of the loan facilities to 1 July 2024, were carried interest at 5% per annum since 1 July 2023. The gearing ratio (total interest-bearing borrowings as a percentage of total equity) as at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023 of the Target Group were approximately 306.1%, 491.7%, 182.1% and 145.2%, respectively.

Employee and Remuneration Policies

As at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023, the Target Group had, in aggregate, 3, 5, 7 and 7 employees, respectively in the PRC. The Target Group recruited, employed, promoted and remunerated its employees based on their qualifications, experience, skills, performances and contributions. Remuneration and bonus were also determined with reference to, among others, the market trend. The Target Group had implemented various programs for staff training and development as well. The Target Group does not have any share scheme.

For the the year ended 31 March 2021, 31 March 2022, 31 March 2023 and for the six months ended 30 September 2022 and 2023, the total staff costs including director's remuneration amounted to approximately HK$114,000, HK$508,000, HK$748,000, HK$330,000 and HK$446,000, respectively.

Future plans for material investments or capital assets

As at the Latest Practicable Date, the Target Group did not have any future plans for material investments or capital assets.

Acquisition or disposal of subsidiaries and associated companies

During the Reporting Period, the Target Company did not acquire or dispose any material subsidiaries, associates or joint ventures.

Significant investments held

During the Reporting Period, the Target Group did not hold any significant investment.

Capital Commitment

As at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023, the Target Group had capital expenditure contracted in respect of acquisition of rental vehicles and in-car equipment amounted to approximately HK$44.2 million, HK$41.3 million, HK$22.5 million and HK$8.3 million, respectively.

Charges on assets

The Target Group had no charges on assets as at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023.

Contingent liabilities

The Target Group had no material contingent liabilities as at 31 March 2021, 31 March 2022, 31 March 2023 and 30 September 2023.

Foreign exchange exposure

For the Reporting Period, the Target Group was not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in HK$.

The Target Group principally conducts business operation in the PRC which exposes the Target Group to foreign exchange risk, primarily with respect to RMB and HK$ denominated transactions. Foreign currency risk arises from future commercial transactions and financial instruments.

The management is aware of the possible foreign currency risk exposure of the Target Group due to the fluctuation of RMB and will closely monitor its impact on the performance of the Target Group and hedge its currency risk when appropriate. As of 30 September 2023, the Target Group had not entered into any financial instrument for foreign currency hedging purpose.

For illustrative purpose only, set out below is the unaudited pro forma financial information of the Enlarged Group as at 31 March 2023, being the latest financial reporting date of the Company, to show the effect of the Proposed Acquisition.

* *All capitalised terms used herein have the same meaning as those defined in the Circular, unless otherwise indicated.*

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma consolidated statement of financial position (''Unaudited Pro Forma Financial Information'') of China Rongzhong Financial Holdings Company Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') has been prepared by the directors of the Company (the ''Directors'') in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and with reference to Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars'' (''AG 7'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') for the purpose of illustrating the effect of the proposed acquisition of the additional 49% of the issued shares of Ultimate Harvest Global Limited and its subsidiaries (the ''Acquisition'') on the Group.

The Unaudited Pro Forma Financial Information assumed that the Acquisition had been completed on 31 March 2023 and has been prepared based on the consolidated statement of financial position of the Group as at on 31 March 2023, which was extracted from the published annual report of the Company for the year ended on 31 March 2023, and adjusted on a pro forma basis to reflect the effect of the Acquisition as explained in the accompanying notes that directly attributable to the Acquisition and not relating to future events or decisions, and are factually supportable.

The accompanying Unaudited Pro Forma Financial Information of the Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Group upon completion of the Acquisition. As it is prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition been completed on 31 March 2023.

Furthermore, accompanying Unaudited Pro Forma Financial Information of the Group does not purport to predict the future financial position of the Group.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of the Group as incorporated by reference in Appendix I to this Circular, the accountants' report on the Target Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Consolidated Statement of Financial Position

	The Group as at 31 March 2023	Pro forma adjustments		The Enlarged Group as at 31 March 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Non-current assets				
Property, plant and equipment	59,206			59,206
Deposits	544			544
Lease receivables and receivables arising from sale and leaseback arrangements	–			–
Goodwill	9,273			9,273
	69,023			69,023
				–
Current assets				–
Trade receivables	4,765			4,765
Lease receivables and receivables arising from sale and leaseback arrangements	4,545			4,545
Other assets	–			–
Prepayments and other receivables	727			727
Security deposits	–			–
Cash and cash equivalents	14,575			14,575
	24,612			24,612
Current liabilities				
Trade payables	130			130
Other payables and accrued charges	5,804		1,000	6,804
Deposits from customers	10,579			10,579
Tax liabilities	1,446			1,446
Bank borrowings	1,242			1,242
Lease liabilities	2,357			2,357
Contract liabilities	4,551			4,551
Derivative financial liabilities	8,326			8,326
Amount due to a shareholder	334			334
Amount due to a related company	29,102			29,102
				–
	63,871			64,871
Net current liabilities	(39,259)			(40,259)
Total assets less current liabilities	29,764			28,764

	The Group as at 31 March 2023	Pro forma adjustments		The Enlarged Group as at 31 March 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Non-current liabilities				
Deposits from customers	–			–
Bank borrowings	2,047			2,047
Lease liabilities	959			959
Amount due to a shareholder	21,000			21,000
Contingent consideration payables	2,468			2,468
Convertible bonds	2,692			2,692
Loan note	10,252			10,252
Amount due to a related company	14,061			14,061
Derivative financial liabilities	1,285			1,285
				–
	54,764			54,764
Net liabilities	(25,000)			(26,000)
Capital and reserves				–
Share Capital	4,125	461		4,586
Deficit	(35,414)	17,039	(1,000)	(19,375)
		(9,782)		(9,782)
	(31,289)			(24,571)
Non-controlling interests	6,289	(7,718)		(1,429)
Capital deficiency	(25,000)			(26,000)

Notes to the unaudited pro forma consolidated statement of financial position of the Group

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2023 as set out in the published annual report of the Company for the year ended 31 March 2023.

2. Pursuant to the Acquisition Agreement, the Consideration is HK$17,500,000, which will be satisfied by the Company by the issue and allotment of Consideration Shares to the Offeror upon Acquisition Completion. A total of 46,052,632 Consideration Shares will be issued and allotted, par value of HK$0.01 each.

   The adjustments reflect the amount of the Consideration Shares that would have been issued and allotted by the Group for the Acquisition as if the Acquisition had been completed on the date being reported on (i.e. 31 March 2023). They also reflect the amount of non-controlling interest in respect of the Target Group that would have been derecognised as if the Acquisition has taken place as at 31 March 2023.

   As at 31 March 2023, the Group owned 51% equity interest in the Target Group and the financial results of the Target Group has been consolidated into the consolidated financial statements of the Group for the year ended 31 March 2023.

   Upon completion of the Acquisition, the Group's shareholding in the Target Group will increase to 100% and the Acquisition will be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to any gain or loss and the difference of approximately HK$9,782,000 to be debited to share premium, being the difference between the Consideration of HK$17,500,000 (comprising the share capital of HK$461,000 of 46,052,632 Consideration Shares issued and allotted at the par value of HK$0.01 each and balancing figure will be credited to share premium of HK$17,039,000), and the assumed non-controlling interest's share of assets and liabilities at the date of acquisition of approximately HK$7,718,000, will be debited to equity of the Group, as if the Acquisition had taken place as at 31 March 2023.

3. The adjustment reflects the estimated cost of approximately HK$1,000,000 which mainly comprises professional fees payable to financial advisors, legal advisors, reporting accountants, printers and other professional parties, directly attributable to the Acquisition, which would be debited to the equity (i.e. share premium) as the Acquisition is accounted for as the equity transaction.

4. Apart from the above, no adjustment has been made to the unaudited pro forma consolidated statement of financial position to reflect any trading results or other transactions of the Group and the Target Group entered subsequent to 31 March 2023.

The following is the text of the independent reporting accountants' assurance report received from Moore CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Circular.

MOORE

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會計師事務所有限公司

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Rongzhong Financial Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Rongzhong Financial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 March 2023 and the related notes as set out on page 4 of Appendix IV to the circular issued by the Company dated 13 December 2023 (the "Circular") in connection with the proposed acquisition of the additional 49% of the issued shares of Ultimate Harvest Global Limited and its subsidiaries (the "Proposed Acquisition") on the Group. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 1 to 3 of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 March 2023 as if the Proposed Acquisition had taken place at 31 March 2023. As part of this process, information about the Group's financial position as at 31 March 2023 has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 March 2023, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Moore CPA Limited
Certified Public Accountants

Hong Kong, 13 December 2023

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
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tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

13 December 2023

The Board of Directors
China Rongzhong Financial Holdings Company Limited
Unit 3901, 39/F.,
Tower One, Lippo Centre, 89 Queensway, Hong Kong.

Dear Sirs,

In accordance with the instructions from China Rongzhong Financial Holdings Company Limited(the **"Company**" or the **"Client**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited (**"JLL**" or "**we**") have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100% equity interest (the "**Subject**") of Ultimate Harvest Global Limited with its subsidiaries (the "**Target Group**") as at 30 September 2023 (the "**Valuation Date").** The report which follows is dated 13 December 2023 (the "**Report Date**"). The purpose of this valuation is for the Client's internal reference and inclusion in the Client's public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as *"the estimated amount for which an asset or liability should exchange on the valuation date between* a *willing buyer and* a *willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".*

BACKGROUND OF THE COMPANY

China Rongzhong Financial Holdings Company Limited is a Hong Kong-based investment holding company principally engaged in the provision of financial leasing services. The Company was incorporated in Cayman Islands and has been listed in the Stock Exchange of Hong Kong since 28 Jan 2016 with stock code: 3963 HK.

BACKGROUND OF THE SUBJECT

Ultimate Harvest Global Limited ("**Target Company**") is a private company incorporated in the British Virgin Islands on 5 August 2021 with limited liability. The Target Company with its subsidiaries (i.e., the Target Group) are mainly engaged in car lease and rental businesses in East China.

On 26 October 2021, the Client entered into the sale and purchase agreement (as supplemented on 6 December 2021) with Goldbond Group Holdings Limited ("**Goldbond**"), pursuant to which the Client has agreed to purchase, and Goldbond has agreed to sell, 51% of the Target Group. The acquisition was completed on 4 March 2022.

Key financial information of the Target Group for the 6-month period ended 30 September 2023 and 30 September 2022, and the financial year ended 31 March 2023 respectively is set out as below (unit: HKD'000):

	6-months ended 2022/09/30 (Unaudited)	**Financial year ended 2023/3/31 (Audited)**	**6-months ended 2023/09/30 Audited**
Revenue	21,849,245	42,125,835	19,708,216
Normalized EBITDA	8,689,683	16,568,654	4,795,565
Net Profit	3,850,991	7,437,434	959,163
Net Assets	11,812,493	15,749,960	15,979,932

SOURCES OF INFORMATION

In conducting our valuation of the 100% equity interest in the Target Group, we have reviewed information from several sources, including, but not limited to:

- Background of the Target Group and relevant corporate information;
- Audited financial statements, which contain the financial and operational information, of the Target Group for the 6-month period ended 30 September 2023 and the financial year ended 31 March 2023 respectively and unaudited financial statements for the 6-month period ended 30 September 2022; and
- Market information derived from public domains in relation to the Target Group's business and our valuation.

We have held discussions with management of the Company, and conducted market research from public sources to assess the reasonableness and fairness of the above information provided by the management. We assumed such information is reliable and legitimate; and we have relied to a considerable extent on the information provided by the Company in arriving at our opinion of value.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of the Target Group and an assessment of the key assumptions, estimates, and representations made by the proprietor or the operator of the Target Group. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Target Group;
- Market information of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income;
- Consideration and analysis on the micro and macro economy affecting the Target Group's business; and
- Assessment of the liquidity of the Target Group's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Subject.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparables. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

SELECTION OF VALUATION APPROACH AND METHODOLOGY

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Subject. In our opinion, the cost approach is inappropriate for valuing the Subject, as it does not directly incorporate information about the economic benefits contributed by the Subject. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained.

In view of the above, we have adopted the market approach for this Valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. It also introduces objectivity in application as publicly available inputs are used. We have therefore relied on the market approach in determining our opinion of value.

There are two common methods under market approach, namely, guideline public companies method and guideline transactions method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transactions method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Subject's financial metrics.

The guideline transactions method is not adopted due to lack of sufficient recent market transactions with similar nature as the Subject. The guideline public companies method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. As there are several publicly listed companies of similar businesses that could provide a reasonable valuation benchmark, the market value of equity interest in the Subject was developed through the guideline public companies method in this exercise.

SELECTION OF VALUATION PRICE MULTIPLES

In this valuation, we have considered the following commonly used benchmark multiples:

- Price-to-earnings multiple (the "**P/E Multiple**"), which is computed as share price dividend by earning per share, is the most commonly used multiple since investors want to know how profitable a company is, hence earnings are important for valuing a company's stock. This multiple has the limitations that it cannot be used to value loss-making companies, and fail to overcome the distortions caused by different accounting policies and capital structures.

- Price-to-book multiple (the "**P/B Multiple**"), which is computed as the proportion of share price to book value per share, is common to value companies within asset intensive industries. However, since book value captures only the tangible assets of a company, a company's intangible assets as well as company-specific competencies and advantages are not captured in the P/B Multiple.

- Price-to-sales multiple (the "**P/S Multiple**"), which is estimated by dividing share price by sales per shares, is commonly used to value early-stage or loss-making companies. A shortcoming of this multiple is that it ignores the cost structure and hence the profitability of a company.

- A firm's enterprise value is equal to its equity value plus its debt less any cash. Enterprise value to earning before interest and tax multiple (the "**EV/EBIT Multiple**"), which is estimated by dividing enterprise value by earning before interest and tax, allows direct comparison of firms regardless of their difference in capital structure. Compared to the P/E Multiple, the EV/EBIT Multiple is considered to be less affected by difference in capital structure. Yet, since the EV/EBIT Multiple does not adjust for depreciation and amortization expenses, the multiple is more affected by the accounting treatments of depreciation and amortization.

- Similar to other enterprise value multiples, enterprise value-to-earnings before interest, tax, depreciation and amortization multiple (the "**EV/EBITDA Multiple**") is considered to be less affected by difference in accounting treatment as other price multiples. Different from the EV/EBIT multiple, this multiple adds back depreciation and amortization expenses, hence it is more commonly used for capital-intensive business in which case depreciation expense contribute to a significant portion of economic cost.

- Like the other enterprise value multiples, enterprise value-to-sales multiple (the "**EV/ Sales Multiple**") is considered to be less affected by difference in accounting treatment as other price multiples. Similar to the price-to-sales multiple, it is commonly used to value early-stage or loss making companies. Yet, enterprise value-to-sales has the benefits over price-to-sales multiple that it takes into account a company's debt load.

Reviewing its financial statements, we noticed that the book value of loan facility borrowed by the Target Group was around HKD 23 million as of 30 September 2023; and the depreciation and amortization of the Target Group for the last twelve months was around HKD 6.8 million as of 30 September 2023.

The debt and depreciation and amortization of the Target Group were considered to have material impact on its value and the Target Group is considered to be capital-intensive. Given that EBITDA is a financial measure that shows how well a company performed through its core operations regardless of the difference in accounting treatments of the depreciation and amortization and enterprise value is capital structure neutral, it is considered that the EV/ EBITDA Multiple is the most appropriate multiple and hence it is being adopted in this valuation.

The EV/EBITDA Multiple is defined in this practice as the current enterprise value to the normalised earnings before interest, tax, depreciation and amortisation of the Target Group from 30 September 2022 to 30 September 2023. EV/EBITDA is a capital structure neutral ratio since it takes into account the debt and earnings before interest expenses. It allows us to compare the Target Group against the comparable companies without considering how each comparable company finances its operations.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following assumptions in determining the market value of the equity interest have been made:

- We have assumed the principal businesses of the Target Group will not change significantly in the foreseeable future; the Target Group have obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;

- We have assumed that the Target Group will continue to operate as a going concern with adequate operation facilities and business systems in place or proposed (if any) that are in line with the industry. Without this assumption, the market approach may not be appropriate for this valuation;

- We have assumed that the core operation of the Target Group will not differ materially from those of present or expected otherwise the selection criteria of the comparable companies would have been different from this valuation;

- We have assumed that there will be no material changes in the existing political, legal, technological, natural, fiscal or economic conditions, which might adversely affect the business of the Target Group such as changes in relevant government policies and regulations related to transportation, emissions, and safety standards, changes in vehicle technology, and economic growth or recession affecting consumer spending patterns and travel demand;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements entered into between the Target Group and any other parties, including but not limited to loan contracts, business contracts and other contracts that will affect the business of the Target Group, will be honored;

- We have assumed continuous prudent management of the Target Group that is reasonable and necessary to maintain the character and integrity of the assets valued; and

- We have assumed that there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management, etc.) associated with the asset valued that might adversely affect the reported value.

SUMMARY OF MARKET APPROACH

In determining the financial multiple, a list of comparable companies was identified. The selection criteria are set as below:

1. The shares of the comparable companies have been listed and actively traded in public exchanges* for no less than six months;

2. The comparable companies mainly engages in the same industry as the Target Group, namely car rental and lease services and related business, as classified by Capital IQ or based on the business description provided by Capital IQ or their website;

3. The revenue of the comparable companies generated from car rental and lease and related services was over 50% of their total revenue for the latest financial year;

4. The comparable companies recorded positive net operating profit after tax ("NOPAT") in their latest financial year; and

5. Sufficient operational and financial data, including the EV/EBITDA Ratio, on the comparable companies are available as at the Valuation Date.

* *The public exchanges refers to : 17 stock exchanges listed out as "Recognized Stock Exchange" in "Secondary Listings in Hong Kong" issued by the HKEx (https://www.hkex.com.hk/Listing/Rules-and-Guidance/Listing-of-Overseas-Companies/Secondary-Listings-in-Hong-Kong?sc_lang=en) and world's top 15 stock exchanges in terms of market capitalization according to the statistics published by SFC as of the end of September of 2023 (https://www.sfc.hk/en/Published-resources/Statistics). Based on our selection criteria, we did not find any companies primarily operating in China (PRC) in our analysis.*

As sourced from Capital IQ, an exhaustive list of comparable companies satisfying the above criteria was obtained. The details of the comparable companies are listed below:

Ticker	Company Name	Country/Region	Company Description
NasdaqGS: CAR	Avis Budget Group, Inc.	United States	Avis Budget Group, Inc., together with its subsidiaries, provides car and truck rentals, car sharing, and ancillary products and services to businesses and consumers in the Americas, Europe, the Middle East and Africa, Asia, and Australasia.
BOVESPA: RENT3	Localiza Rent a Car S.A.	Brazil	Localiza Rent a Car S.A. engages in car and fleet rental business. The company is also involved in granting franchises; sale of decommissioned and used cars; provision of sundry automotive, and travel and tourism services; and managing claims for insurance companies, as well as provision of tracking and telemetry services. It operates car rental agencies in Brazil, Argentina, Colombia, Ecuador, and Paraguay. The company serves individuals and legal entities. Localiza Rent a Car S.A. was founded in 1973 and is headquartered in Belo Horizonte, Brazil.
XTRA: SIX2	Sixt SE	Germany	Sixt SE, through its subsidiaries, provides mobility services for private and business customers in Germany and internationally. It offers mobility service across the fields of vehicle and commercial vehicle rental, car sharing, ride hailing, and car subscriptions. The company was founded in 1912 and is headquartered in Pullach, Germany. Sixt SE is a subsidiary of Erich Sixt Vermbgensverwaltung GmbH.
TSE: 3347	Trust Co., Ltd.	Japan	Trust Co., Ltd. sells pre-owned vehicles in Japan. The company sells its vehicles directly to customers through its website japanesevehicles.com. It also exports its vehicles. The company was incorporated in 1988 and is head quartered in Nagoya, Japan. Trust Co., Ltd. is a subsidiary of Vt Holdings Co.,Ltd. It operates the car rental business through its subsidiary, J-net Rental & Lease Co., Ltd.
SASE: 4260	United International Transportation Company	Saudi Arabia	United International Transportation Company, together with its subsidiaries, engages in the leasing and rental of vehicles, and used car sales under the Budget Rent a Car name in Saudi Arabia. It operates through three segments: Lease, Rental, and Others. The company provides services, such as short term local and international rental, long term rental, car rental, chauffeur, limousine and cross border rental, corporate leasing, and frequent renters loyalty programs. It also rents and leases heavy vehicles and equipment, as well as trades in heavy vehicles, equipment, and spare parts. The company was founded in 1978 and is headquartered in Jeddah, Saudi Arabia.

Ticker	Company Name	Country/Region	Company Description
KOSE: A089860	LOTTE Rental Co., Ltd.	South Korea	LOTTE Rental Co., Ltd. provides ear and equipment rental services in South Korea. It also provides household goods, automobiles, and office equipment rental services, as well as vehicle maintenance and auto auction services. The company was formerly known as KT Rental Co., Ltd. and changed its name to LOTTE Rental Co., Ltd. on June 24, 2015. LOTTE Rental Co., Ltd. was founded in 1986 and is headquartered in Seoul, South Korea.
KOSE: A068400	SK Rent A Car Co., Ltd.	South Korea	SK Rent A Car Co., Ltd. provides car rental services in South Korea and internationally. It rents new and used cars, as well as provides car consultation and maintenance services. The company was formerly known as AJ Rent A Car Co., Ltd. SK Rent A Car Co., Ltd. was founded in 1988 and is headquartered in Seoul, Korea. SK Rent A Car Co., Ltd. is a subsidiary of SK Networks Company Limited. AJU Auto Rental Co., Ltd. provides car rental services. AJU Auto Rental Co., Ltd. was formerly known as Avis Korea Co., Ltd. and changed its name to AJU Auto Rental Co., Ltd. in December 2004. The company was founded in 1988 and is based in Seoul, South Korea.
BOVESPA: MOVl3	Movida Participações S.A.	Brazil	Movida Participações S.A., through its subsidiaries, provides car rental services in Brazil. It operates in two segments, Rent-a-Car, and Fleet Management and Outsourcing (GTF). The company also offers light vehicle fleet management and outsourcing services; fleet size analysis; rental, maintenance management, availability of temporary vehicles, reserve cars, documentation management, and demobilization services; managerial reports and support, and various other facilities. In addition, it sells pre-owned cars. The company was formerly known as H.L.C.S.P.E Empreendimentos e Participações S.A. and changed its name to Movida Participações S.A. in December 2014. The company was founded in 2006 and is headquartered in Sao Paulo, Brazil. Movida Participações S.A. is a subsidiary of Simpar S.A.
NasdaqGS: HTZ	Hertz Global Holdings, Inc.	United States	Hertz Global Holdings, Inc. operates as a vehicle rental company. The company operates through two segments, Americas Rental Car and International Rental Car. It offers vehicle rental services under the Hertz, Dollar, and Thrifty brands from company-owned, licensee, and franchisee locations in the United States, Africa, Asia, Australia, Canada, the Caribbean, Europe, Latin America, the Middle East, and New Zealand. The company also sells vehicles; and operates the Firefly vehicle rental brand and Hertz 24/7 car sharing business in international markets. Hertz Global Holdings, Inc. was founded in 1918 and is headquartered in Estero, Florida.

The financial details of the comparable companies sourced from Capital IQ as of the Valuation Date are shown as below:

Ticker	Market Capitalization	Total Enterprise Value	LTM EBITDA	LTM NOPAT
	(Million USD)	*(Million USD)*	*(Million USD)*	*(Million USD)*
NasdaqGS: CAR	6,961	31,455	5,161	2,836
BOVESPA: RENT3	12,218	17,915	1,073	972
XTRA: SIX2	3,831	7,329	757	411
TSE: 3347	45	235	52	11
SASE: 4260	1,307	1,480	161	78
KOSE: A089860	730	3,521	1,033	153
KOSE: A068400	397	2,198	480	48
BOVESPA: MOVI3	845	3,339	700	413
NasdaqGS: HTZ	3,813	21,743	2,463	1,408

Based on the aforementioned selection criteria, the exhaustive list of comparable companies above based on our selection criteria, Capital IQ idatabase and other information we are aware of is considered to be fair and representative.

As the businesses of the comparable companies are located in different regions, they are thus exposed to different macroeconomic and market risks. Moreover, the comparable companies are often of significantly different size from the Target Group. Larger companies generally have lower expected returns that translate into higher values. On the other hand, small companies are generally perceived as riskier in relation to business operation and financial performance, and therefore the expected returns are higher and resulting in lower multiples. Therefore, the base multiples were adjusted to reflect the differences in size and location between the comparable companies and Target Group, as below:

We referred to a formula in a widely-adopted textbook "Financial Valuation -Applications and Model, 2017" by James R. Hitchner, a renowned valuation expert in the US, for the pricing multiple adjustments:

The adjusted EV/EBITDA multiples were calculated using the following formula:

Adjusted EV/EBITDA multiple = $1/((1/M) + \alpha * \varepsilon * \theta)$

where:

M = The Base EV/EBITDA multiple

α = The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the comparable companies

ε = The ratio of the equity value to the enterprise value of the comparable company

θ = Required adjustment in the equity discount rate for difference in size and regions

(Reference: Hitchner, R. (2017) Financial Valuation: Applications and Models (4th Edition))

M is the base EV/EBITDA ratio and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalization rate. In this valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalization rate of the enterprise value.

For the parameter θ, it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the Target Group. With reference to Cost of Capital Navigator 2022 published by Kroll, depending on the market capitalization of each of the Comparable Companies, size premium differentials were adopted to capture the size difference between the comparable companies and the Target Group. In addition, the country risk premium differentials were adopted with reference to the Country Default Spreads and Risk Premiums study issued and last updated by Aswath Damodaran in July 2023.

The ratio of the market capitalization to enterprise value ε was adopted as a weighting factor. As aforesaid, the logic behind this formula is that a pricing multiple is the reciprocal of the capitalization rate. In the case of an enterprise value multiple, the capitalization rate is driven by the weighted average cost of capital ("**WACC**") of the valuation subject. Since the size and specific risk premium differentials "θ" are applicable only to the equity portion (for a listed company, market capitalization represents the market value of its equity) but not to the debt portion of the WACC, we shall only adjust the equity portion of the capitalization rate in this pricing multiple adjustment formula. The ratio ε was used to apply an appropriate weighting on the parameter θ so that the capitalization rate was adjusted only to the extent of its equity portion.

The ratio of EBITDA to NOPAT was used as a scale factor α which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit.

Details of the adjusted factors of the comparable companies are shown as below:

Ticker	Company Name	Country/Region	Market Capitalization *(Million USD)*	EBITDA/NOPA (α)T	Equity/EV (ε)	Size and Regions Adjustment (θ)	EV/EBITDA Before Adjustment	Adjusted EV/ EBITDA
NasdaqGS: CAR	Avis Budget Group, Inc.	United States	6,961	182%	22%	5.33%	6.09	5.39
BOVESPA: RENT3	Localiza Rent a Car S.A.	Brazil	12,218	110%	68%	0.76%	16.70	15.25
XTRA: SIX2	Sixt SE	Germany	3,831	184%	52%	5.32%	9.68	6.47
TSE: 3347	Trust Co., Ltd.	Japan	45	463%	19%	0.00%	4.54	4.54
SASE: 4260	United International Transportation Company	Saudi Arabia	1,307	207%	88%	3.46%	9.18	5.80
KOSE: A089860	LOTTE Rental Co., Ltd.	South Korea	730	673%	21%	3.97%	3.41	2.87
KOSE: A068400	SK Rent A Car Co., Ltd.	South Korea	397	1,005%	18%	3.97%	4.58	3.44
BOVESPA: MOVI3	Movida Participações S.A.	Brazil	845	169%	25%	-0.04%	4.77	4.78
NasdaqGS: HTZ	Hertz Global Holdings, Inc.	United States	3,813	175%	18%	5.32%	8.83	7.72
						Median	**6.09**	**5.39**

The median, i.e. 5.39, is adopted in our valuation.

DISCOUNT FOR LACK OF MARKETABILITY

A factor to be considered in valuing closely held companies such as the Subject is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private held company is worth less because no established market exists.

For this exercise, the indicated discount for lack of marketability adopted for the equity interest in the Target Group is 22.10% as at the Valuation Date, based on a study 2022 edition of the Stout Restricted Stock Study Companion Guide issued by Stout Risius Ross, LLC. The adopted discount refers to the overall median discount for 163 transactions of service industry in the study. This is the category closest to the business of the Target Group defined in the study. This discount was derived by comparing the percentage difference between the private placement price per share and the market trading price per share of the same companies in the Stout Restricted Stock Study. Licensed since 2001, the Stout Restricted Stock Study is a well known and widely accepted study among the valuers.

CALCULATION OF VALUATION RESULT

Under the guideline public companies method, the market value depends on the market multiples of the comparable companies derived from Capital IQ as at the Valuation Date and adjusted as discussed above. We have also taken into account the discount for lack of marketability. The calculation of the market value of the 100% equity interest in the Target Group as at the Valuation Date is as follows:

	30 September 2023
Trailing 12 Months EBITDA of the Target Group*	12,674,536
EV/EBITDA Multiple (times)	5.39
Enterprise Value of the Target Group	**8,309,917**
Add: Cash and Cash Equivalents*	8,691,985
Less: Interest Bearing Debt and Lease Liabilities*	23,209,848
100.00% Equity Interest in the Target Group (before discount of lack of marketability adjustments)	**53,792,054**
Less: Discount of Lack of Marketability (22.10%)	11,888,044
100.00% Equity Interest in the Target Group (after discount of lack of marketability adjustment)	**41,904,010**
Market Value in the Subject (HKD) (Rounded)	**42,000,000**

* *The trailing 12 months EBITDA of the Target Group, as well as cash and cash equivalents, and interest bearing debt were extracted from the accountants' report and the management accounts.*

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions which have been set out in this report above. Further, while the assumptions are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We confirm that we have sufficient current local knowledge of the market which the Target Group are engaged in and the skills and understanding necessary to undertake the valuation of the Subject competently. We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Further, we are not aware of any material changes to the Subject between the Valuation Date and the date of this report.

We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date.

This report is issued subject to our Limiting Conditions as attached.

OPINION OF VALUE

Based on the results of our investigations and analysis, we are of the opinion that the market value of the Subject as at the Valuation Date is reasonably stated at the amount of **HKD 42 million.**

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Company.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the board of the Company have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the Subject. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialized expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client/Target Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for the use as stated in the report and the engagement letter. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is solely for the use by the client and the calculation of values expressed herein is valid only for the purpose stated in this report and the engagement letter/or proposal as of the Valuation Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the Subject.

15. This exercise is premised in part on the historical financial information provided by the management of the Client/Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Accordingly, to the extent any of the abovementioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The board of directors, management, staff, and representatives of the Client/Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client/Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

The following is the text of a letter received from the Independent Financial Adviser addressed to the Board and prepared for the sole purpose of inclusion in this circular.

中州國際融資有限公司
CENTRAL CHINA INTERNATIONAL CAPITAL LIMITED

Suites 1505-1508
Two Exchange Square
8 Connaught Place
Central, Hong Kong

To The Board of Directors of
China Rongzhong Financial Holdings Company Limited
Unit 3901, 39/F,
Tower One, Lippo Centre,
89 Queensway, Hong Kong

15 December 2023

Dear Sirs,

We refer to the circular of the Company dated 15 December 2023 (the "**Circular**") issued by China Rongzhong Financial Holdings Company Limited (the "**Company**"), of which this letter forms part, and the valuation report (the "**Valuation Report**") prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Independent Valuer**"), an independent valuer engaged by the Company in respect of the valuation of the 100% equity interest of Ultimate Harvest Global Limited with its subsidiaries (the "**Target Group**"), which is included in Appendix V to the Circular. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

This letter is issued in compliance with the requirement under Rule 11.1(b) of the Takeovers Code. Pursuant to the Corporate Finance Adviser Code of Conduct, we have reviewed the Valuation Report and discussed with the Independent Valuer regarding the Valuation Report, including, in particular, the valuation approach and the bases and assumptions adopted. We have also conducted reasonable check to assess the qualifications and experience of the Independent Valuer and Mr. Simon M. K. Chan (executive director of the Independent Valuer and responsible valuer for the Valuation Report), including discussion with the representative of the Independent Valuer and review of relevant licenses, track records and other supporting documents on the qualifications and experience of the Independent Valuer and Mr. Simon M. K. Chan.

Our work does not constitute any valuation of the Target Group. We have relied on the information, materials and representations provided, and the opinions expressed to us by the Company and the Independent Valuer, including those referred to or contained in the Circular, which we have assumed to be true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the Latest Practicable Date. We have no reason to believe that any material fact or information has been omitted or withheld from us, or to doubt the truth, accuracy or completeness of the information, materials and representations provided. We however have not conducted any independent verification on the information, materials and representations provided. Accordingly, we accept no responsibility, whether expressly or implicitly, on the valuation of the Target Gorup as set out in the Valuation Report. We and our respective directors and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the foregoing, nor will we, our respective Directors and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company.

On the basis of the foregoing, we are of the opinion that the bases and assumptions adopted in the Valuation Report have been made by the Independent Valuer after due care and consideration with objectivity and on a reasonable basis. We are also satisfied that the Independent Valuer and Mr. Simon M. K. Chan possess the qualifications and experience to compile the Valuation Report.

Yours faithfully,
For and on behalf of
Central China International Capital Limited

Elain Wong
General Manager

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.

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

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000
Issued and fully paid or credited as fully paid:		*HK$*
420,759,000	Shares of HK$0.01 each	4,207,590

3. DISCLOSURE OF INTERESTS OF DIRECTORS

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") were as follows:

Interests in Shares/underlying Shares of the Company

Name of Director	**Capacity/nature of interest**	**Number of Shares/ underlying Shares** *(Note 1)*	**Approximate % of issued Shares** *(Note 6)*
Ms. Wong Emilie Hoi Yan	Beneficial owner	4,400,000 (L) *(Note 5)*	1.05%
Mr. Lau Hiu Fung	Beneficial owner	4,000,000 (L) *(Note 5)*	0.95%
Ms. Jacqueline Wong	(i) Beneficial owner	800,000 (L) (Note 5)	0.19%
	(ii) Interest in controlled corporations/founder of a discretionary trust	20,234,242 (L) *(Note 2)*	4.81%
	(iii)Beneficiary of a trust	327,764,914 (L) *(Note 3)*	77.90%
	(iv)Beneficiary of a trust	38,503,380 (S) *(Note 4)*	9.15%
Ms. Michelle Wong	(i) Beneficial owner	800,000 (L) *(Note 5)*	0.19%
	(ii) Interest in controlled corporations	20,234,242 (L) *(Note 2)*	4.81%
	(iii)Beneficiary of a trust	327,764,914 (L) *(Note 3)*	77.90%
	(iv)Beneficiary of a trust	38,503,380 (S) *(Note 4)*	9.15%
Mr. David Wong	Beneficial owner	4,000,000 (L) *(Note 5)*	0.95%
Mr. Lie Chi Wing	Beneficial owner	322,000 (L) *(Note 5)*	0.08%
Mr. Ng Wing Chung Vincent	Beneficial owner	322,000 (L) *(Note 5)*	0.08%
Mr. Ng Yuk Yeung Paul	Beneficial owner	300,000 (L) *(Note 5)*	0.07%

Notes:

1. The letters "L" and "S" denote the Director's long position and short position in the Shares or underlying Shares respectively.

2. Such interests include 10,127,176 Shares held by Legend Crown and 10,107,066 Shares held by Plenty Boom. Ms. Jacqueline Wong founded the Ace York Management Trust of which the property included the entire issued share capital of Legend Crown and Plenty Boom. The trustee of the Ace York Management Trust is Ace York Investment Management Limited ("Ace York Management", a company owned as to 50% by Ms. Jacqueline Wong and 50% by Ms. Michelle Wong), where the beneficiaries are Ms. Jacqueline Wong and Ms. Michelle

Wong and their respective issue(s). By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong and Ace York Management are taken to have a duty of disclosure in relation to the said Shares held by Legend Crown and Plenty Boom under the SFO.

3. Such interest include (i) 8,250,000 Shares held by the Offeror; (ii) 143,805,903 Shares held by Perfect Honour, which is a wholly owned subsidiary of the Offeror; (iii) Convertible Bonds held by the Offeror in the outstanding principal amount of HK$2,541,000 which are convertible into 16,500,000 Shares; (iv) 46,052,632 Consideration Shares to be allotted and issued by the Company to the Offeror upon Acquisition Completion under the Acquisition Agreement; and (v) 113,156,379 Subscription Shares to be allotted and issued by the Company to the Offeror upon Subscription Completion under the Subscription Agreement (assuming the Completion Date falls on the Long Stop Date).

   Mr. Wong Charles Yu Lung ("Mr. Wong") and Mrs. Wong Fang Pik Chun ("Mrs. Wong"), parents of Ms. Michelle Wong and Ms. Jacqueline Wong established the Allied Luck Trust (as defined below) as settlors and Ms. Michelle Wong and Ms. Jacqueline Wong established the Aceyork Trust (as defined below) as settlors, where both Ms. Jacqueline Wong and Ms. Michelle Wong and their respective issue(s) are the beneficiaries of such trusts. The assets of the Allied Luck Trust include all the Offeror's shares held by Allied Luck Trading Limited ("Allied Luck", a company wholly-owned by the Allied Luck Trust), being approximately 30.99% of the total issued share capital of the Offeror, (the "Allied Luck Trust"), and the assets of the Aceyork Trust included all the Offeror's shares held by Ace Solomon Investments Limited ("Ace Solomon") being approximately 26.06% of the total issued share capital of the Offeror. Ace Solomon is a company jointly owned by Allied Golden Investment Limited ("Allied Golden") and Aceyork Investment Limited ("Aceyork"), which (in each of the cases of Allied Golden and Aceyork) in turn are wholly-owned by the Aceyork Trust (the "Aceyork Trust"). Ms. Jacqueline Wong and Ms. Michelle Wong being beneficiaries of the Allied Luck Trust and the Aceyork Trust, are thus interested in the Shares held by Perfect Honour and the Offeror. By virtue of the above, Ms. Jacqueline Wong and Ms. Michelle Wong are taken to have a duty of disclosure in relation to the said interest held by Perfect Honour and the Offeror under the SFO.

4. Solomon Glory, a wholly-owned subsidiary of the Offeror, holds a short position in 38,503,380 Charged Shares, which are held by Yong Hua and charged to Solomon Glory Limited. The Charged Shares are subject to an order issued on 13 March 2019 by The High Court of Hong Kong, details of which are set out in the announcement of the Company dated 4 July 2019. Pursuant to the court order, the Charged Shares shall not be sold at a price not more than 10% discount to the average closing prices of the Shares as quoted on the Stock Exchange for the previous 10 consecutive trading days prior to the date of sale of such Charged Shares or any of them. As at the Latest Practicable Date, none of the Charged Shares has been sold by Yong Hua.

5. These interests represent the interests in underlying Shares in respect of the share options granted by the Company to these Directors.

6. The percentage shareholding in the Company is calculated on the basis of 420,759,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (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 (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares or Debentures

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in the Shares/underlying Shares of the Company

Name of substantial Shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares *(Note 1)*	Approximate % of issued Shares *(Note 10)*
Ms. Jacqueline Wong	(i) Beneficial owner	800,000 (L) *(Note 2)*	0.19%
	(ii) Interest in controlled corporations/founder of a discretionary trust	20,234,242 (L) *(Note 3)*	4.81%
	(iii) Beneficiary of a trust	327,764,914 (L) *(Note 4)*	77.90%
	(iv) Beneficiary of a trust	38,503,380 (S) *(Note 5)*	9.15%
Ms. Michelle Wong	(i) Beneficial owner	800,000 (L) *(Note 2)*	0.19%
	(ii) Interest in controlled corporations	20,234,242 (L) *(Note 3)*	4.81%
	(iii) Beneficiary of a trust	327,764,914 (L) *(Note 4)*	77.90%
	(iv) Beneficiary of a trust	38,503,380 (S) *(Note 5)*	9.15%
Mr. Kwok Gareth Wing-Sien	Interest of spouse	348,399,156 (L) *(Note 6)*	82.80%
	Interest of spouse	38,503,380 (S) *(Note 6)*	9.15%

Name of substantial Shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares *(Note 1)*	Approximate % of issued Shares *(Note 10)*
Mr. Wong	Trustee	327,764,914 (L) *(Note 4)*	77.90%
	Trustee	38,503,380 (S) *(Note 5)*	9.15%
Mrs. Wong	Trustee	327,764,914 (L) *(Note 4)*	77.90%
	Trustee	38,503,380 (S) *(Note 5)*	9.15%
Offeror	Beneficial owner/Interest in controlled corporation	327,764,914 (L) *(Note 4)*	77.90%
	Interest in controlled corporation	38,503,380 (S) *(Note 5)*	9.15%
Perfect Honour	Beneficial owner	143,805,903 (L) *(Note 4)*	34.18%
Solomon Glory	Having a security interest in shares	38,503,380 (S) *(Note 5)*	9.15%
Mr. Xie	Interest in controlled corporation	12,704,220 (L) *(Note 7)*	3.02%
	Interest in controlled corporation	38,503,380 (L) *(Note 8)*	9.15%
	Interest in controlled corporation	38,503,380 (S) *(Note 8)*	9.15%
Yong Hua	Beneficial owner	38,503,380 (L) *(Note 8)*	9.15%
	Beneficial owner	38,503,380 (S) *(Note 8)*	9.15%
Mr. Lee Cheuk Yin Dannis (“**Mr. Lee**”)	Beneficial owner	23,168,148(L)	5.51%
Ms. Yeung Nam	Interest of spouse	23,168,148(L) *(Note 9)*	5.51%

Notes:

1. The letters “L” and “S” denote a person’s/an entity’s long position and short position in the Shares or underlying Shares respectively.

2. These interests represent the interests in underlying Shares in respect of the share options granted by the Company to these substantial Shareholders.

3. Reference to the 20,234,242 Shares relates to the same block of Shares held by Legend Crown and Plenty Boom. Please refer to Note 2 of the section headed “Directors’ and Chief Executive’s interests and short positions in Shares, Underlying Shares or Debentures” in this appendix for further details. By virtue of the above, Ms. Jacqueline Wong and Ms. Michelle Wong are taken to have duty of disclosure in relation to these Shares held by Legend Crown and Plenty Boom.

4. The five references to the 327,764,914 Shares relate to the same block of Shares held by the Offeror and Perfect Honour. Please refer to Note 3 of the section headed "Directors' and Chief Executive's interests and short positions in Shares, Underlying Shares or Debentures" in this appendix for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong and the Offeror are taken to have a duty of disclosure in relation to these Shares held by Perfect Honour and the Offeror.

5. The six references to the 38,503,380 Shares relate to the same block of Shares held by Solomon Glory. Please refer to Note 4 of the section headed "Directors' and Chief Executive's interests and short positions in Shares, Underlying Shares or Debentures" in this appendix for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong, Solomon Glory and the Offeror are taken to have a duty of disclosure in relation to these Shares held by Solomon Glory.

6. Mr. Kwok Gareth Wing-Sien, the spouse of Ms. Michelle Wong, is deemed to be interested in Ms. Michelle Wong's interest in the Company.

7. Such interests include 2,117,370 Shares held by Capital Grower Limited ("Capital Grower"), and 10,586,850 Shares held by Clifton Rise International Limited ("Clifton Rise"), which are all companies owned as to 100% by Mr. Xie. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Capital Grower and Clifton Rise under the SFO.

8. Such Shares are held by Yong Hua, a company owned as to 100% by Mr. Xie. Please refer to Note 4 of the section headed "Directors' and Chief Executive's interests and short positions in Shares, Underlying Shares or Debentures" in this appendix for further details. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Yong Hua under the SFO.

9. Ms. Yeung Nam, the spouse of Mr. Lee, is deemed to be interested in Mr. Lee's interest in the Company.

10. The percentage shareholding in the Company is calculated on the basis of 420,759,000 Shares in issue as at the Latest Practicable Date.

Saved as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or short position in the Shares or underlying 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 was a substantial shareholder of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

(a) Interests in assets

As disclosed in this circular, Ms. Jacqueline Wong and Ms. Michelle Wong by virtue of being controlling shareholders of the Company and the Offeror and Mr. David Wong, being a non-executive Director and a director and the chief executive officer of the Offeror, were considered to be interested in the Acquisition.

As at the Latest Practicable Date, save as disclosed herein, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2023 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(b) Interests in contracts

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Enlarged Group.

(c) Interests in competing business

As at the Latest Practicable Date, the following Directors are considered to have interests in businesses which compete or may compete, either directly or indirectly, with the business of the Enlarged Group:

Name of Directors	Name of companies	Nature of business considered to compete or likely to compete with the business of the Group	Nature of interest of the Directors in the companies
Ms. Wong Emilie Hoi Yan	Certain subsidiaries of the Company	Investment holding	A director of certain subsidiaries of the Company
	Legend Crown	Investment holding	A director
	Plenty Boom	Investment holding	A director
	Yancheng Goldbond	Provision of non-bank financial services to SMEs in the PRC	A director and legal representative

Name of Directors	Name of companies	Nature of business considered to compete or likely to compete with the business of the Group	Nature of interest of the Directors in the companies
Ms. Jacqueline Wong	Legend Crown	Investment holding	Having certain deemed interest and a director
	Plenty Boom	Investment holding	Having certain deemed interest and a director
	Certain subsidiaries and an associate of the Offeror	Provision of finance leasing and factoring services	A director of certain subsidiaries and an associate of the Offeror
Ms. Michelle Wong	Legend Crown	Investment holding	Having certain deemed interest and a director
	Plenty Boom	Investment holding	Having certain deemed interest and a director
	The Offeror and its subsidiaries	Provision of finance leasing and factoring services	A director of the Offeror and directors of certain of its subsidiaries
Mr. David Wong	The Offeror and its subsidiaries	Provision of finance leasing and factoring services	A director and the chief executive officer of the Offeror and directors of certain of its subsidiaries

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group as required to be disclosed pursuant to the Listing Rules.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group which does not expire or is not determinable by the relevant member of the Enlarged Group within one year without payment of compensation other than statutory compensation.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) were entered into by members of the Enlarged Group within two years immediately preceding the date of this circular and are or may be material:

(a) the sale and purchase agreement dated 31 March 2022 (as supplemented by the supplemental agreement dated 2 June 2022) entered into, between the Company and Mr. Xie Xiaoqing in relation to the disposal of the entire issued share capital of Rongzhong Capital Holdings Limited and the entire shareholder's loan owned by Rongzhong Capital Holdings Limited to the Company at a consideration of HK$100,000 or equivalent in RMB, details of which are set out in the Company's announcements dated 31 March 2022, 2 June 2022, 15 February 2023 and 17 March 2023, and the circular of the Company dated 24 February 2023;

(b) the supplemental lock-up agreement dated 4 April 2023 entered into amongst the Company, Alpha Focus International Limited, Mr. Rozario Bobby Roberto, Ever Art Investment Limited, Forever Management Limited, the Offeror, Solomon Glory Limited and Silver Creation Investments Limited regarding the extension of the period of the compensation arrangement of the lock-up agreement in relation to the acquisition of 51% equity interest in Alpha & Leader Risks and Assets Management Company Limited by the Company that was completed on 25 August 2021, details of which are set out in the Company's announcement dated 4 April 2023;

(c) the Acquisition Agreement; and

(d) the Subscription Agreement.

7. LITIGATIONS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. QUALIFICATION OF EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Central China International Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Moore CPA Limited ("**Moore**")	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent Valuer

As at the Latest Practicable Date, each of the above expert:

(a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report, which has been prepared for inclusion in this circular, and references to its name, in the form and context in which it appears;

(b) did not have any shareholding, directly or indirectly, in any member of the Enlarged Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group; and

(c) did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2023, being the date to which the latest published audited consolidated accounts of the Company were made up.

Each of (i) the letter of the Independent Financial Adviser; (ii) the accountants' report of Moore on the Target Group; (iii) the report of Moore on unaudited pro forma financial information of the Enlarged Group; and (iv) the Valuation Report is given as of the date of this circular for incorporation herein.

9. MISCELLANEOUS

(a) The secretary of the Company is Mr. Cheng King Fai Kenneth ("Mr. Cheng"), who is the deputy financial controller of the Company, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheng holds a Master's degree in Business Administration from Tsinghua University and a Bachelor's degree in Accountancy from The Hong Kong Polytechnic University.

(b) The registered office of the Company is at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands, and the principal place of business in Hong Kong is at Unit 3901, 39/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (https://www.hkexnews.hk) and the website of the Company (https://www.chinarzfh.com) for the period of 14 days commencing from the date of this circular:

(a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 43 to 44 of this circular;

(b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 45 to 88 of this circular;

(c) the accountants' report on the Target Group, the text of which is set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information on the Enlarged Group issued by Moore set out in Appendix IV to this circular;

(e) the Valuation Report issued by the Independent Valuer set out in Appendix V to this circular;

(f) the written consent of the expert as referred to in the section headed "8. Qualification of Experts and Consents" in this appendix;

(g) the Acquisition Agreement; and

(h) the Subscription Agreement.

CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED
中國融眾金融控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03963)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("EGM") of China Rongzhong Financial Holdings Company Limited 中國融眾金融控股有限公司 (the "Company") will be held at 10:30 a.m. on Tuesday, 9 January 2024 at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company, with or without amendments:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) subject to the fulfilment of the terms and conditions set out in the Acquisition Agreement (as defined in the circular of the Company dated 15 December 2023 (the "Circular")) (a copy of the Acquisition Agreement has been produced to the meeting and marked "A" and signed by the chairman of the meeting for identification purposes), the Acquisition Agreement and the transactions contemplated thereunder be and are hereby approved;

   (b) the directors of the Company be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Consideration Shares (as defined in the Circular), subject to and in accordance with the terms and conditions set out in the Acquisition Agreement; and

   (c) the directors of the Company be and are hereby authorised to do such acts and deeds in their sole and absolute discretion and opinion deemed expedient and appropriate to implement and give effect to the Acquisition Agreement and the transactions contemplated thereunder and to make immaterial amendments and variations to the Acquisition Agreement."

2. "**THAT**:

(a) subject to the fulfilment of the terms and conditions set out in the Subscription Agreement (as defined in the circular of the Company dated 15 December 2023 (the "Circular")) (a copy of the Subscription Agreement has been produced to the meeting and marked "B" and signed by the chairman of the meeting for identification purposes), the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved;

(b) the directors of the Company be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Subscription Shares (as defined in the Circular), subject to and in accordance with the terms and conditions set out in the Subscription Agreement; and

(c) the directors of the Company be and are hereby authorised to do such acts and deeds in their sole and absolute discretion and opinion deemed expedient and appropriate to implement and give effect to the Subscription Agreement and the transactions contemplated thereunder and to make immaterial amendments and variations to the Subscription Agreement."

By order of the Board
China Rongzhong Financial Holdings Company Limited
Wong Emilie Hoi Yan
Executive Director

Hong Kong,

15 December 2023

Principal Place of Business in Hong Kong registered under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Unit 3901, 39/F,
Tower One, Lippo Centre,
89 Queensway,
Hong Kong

Notes:

1. A shareholder of the Company entitled to attend and vote at the above meeting (or at any adjournment of it) is entitled to appoint one or more proxies to attend and vote on his/her behalf. The proxy does not need to be a shareholder of the Company.

2. A form of proxy in respect of the above meeting is enclosed. Whether or not you intend to attend the above meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed therein.

3. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the above meeting or adjourned meeting (as the case may be).

4. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjournment thereof. In such event, the form of proxy shall be deemed to have been revoked.

5. Where there are joint holders of any share of the Company, any one of such holders may vote at the above meeting (or at any adjournment of it), either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders hereof.

6. For the purposes of determining shareholders' eligibility to attend and vote at the above meeting, the register of members of the Company will be closed. Details of such closures are set out below:

   For determining eligibility to attend and vote at the above meeting:

Latest time to lodge transfer documents for registration:	4:30 p.m. on Wednesday, 3 January 2024
Closure of register of members:	Thursday, 4 January 2024 to Tuesday, 9 January 2024 (both dates inclusive)
Record date:	Tuesday, 9 January 2024

   During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.

   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 for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to our principal place of business in Hong Kong as stated in this notice or to our email at info@chinarzfh.com. If any shareholder has any question relating to the meeting, please contact Tricor Investor Services Limited, Hong Kong branch share registrar and transfer office as follows:

   Tricor Investor Services Limited
   17/F, Far East Finance Centre, 16 Harcourt Road,
   Email: is-enquiries@hk.tricorglobal.com
   HK Tel: (852) 2980 1333
   Fax: (852) 2810 8185

7. As at the date of this notice, the executive Director of the Company is Ms. Wong Emilie Hoi Yan; the non-executive Directors of the Company are Mr. Lau Hiu Fung, Ms. Wong Jacqueline Yue Yee, Ms. Wong Michelle Yatyee and Mr. Wong Ming Bun David; and the independent non-executive Directors of the Company are Mr. Lie Chi Wing, Mr. Ng Wing Chung Vincent and Mr. Ng Yuk Yeung Paul.