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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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### Datang Group Holdings Limited 大唐集團控股有限公司

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

**(Stock Code: 2117)**

## MAJOR TRANSACTION AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A notice convening the EGM of Datang Group Holdings Limited to be held at Hong Kong General Chamber of Commerce, 22/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 15 February 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (before 3:00 p.m. on Monday, 13 February 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof if they so wish and in such event, the proxy shall be deemed to be revoked.

In compliance with the HKSAR Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 (COVID-19), the Company will implement additional precautionary measures at the EGM including, without limitation: (i) compulsory body temperature checks will be conducted on every attendee; (ii) mandatory use of surgical face masks; (iii) mandatory health declaration – anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the EGM (the “**recent travel history**”), or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the EGM; (iv) anyone attending the EGM is reminded to observe good personal hygiene and follow appropriate seating arrangements at all times; and (v) appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding.

In light of the continuing risks posed by the COVID-19 pandemic, the Company encourages the Shareholders NOT to attend the EGM in person, and advises Shareholders to appoint the Chairman of the EGM or any Director or company secretary of the Company as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

31 January 2023

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## DEFINITIONS

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

“Agreements”	the Guarantee Agreements, the Pledge Agreements, the Counter-Guarantee Agreement and the Guarantee Service Agreement
“Announcement”	the announcement of the Company dated 3 January 2023 in relation to the Agreements
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bank”	China Minsheng Bank Corp., Ltd., Xiamen Branch
“Board”	the board of Directors
“Borrowers”	Xiamen Rongyin and Xiamen Hongfu
“Company”	Datang Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2117)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Counter-Guarantee Agreement”	the counter-guarantee agreement dated 30 December 2022 entered into between the Company and Good First Group in relation to the counter-guarantee provided by Good First Group in favour of the Company in respect of the Guarantees provided by the Company under the Guarantee Agreements
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Agreements and the transactions contemplated thereunder
“Facility Agreements”	the Hongfu Facility Agreement and the Rongyin Facility Agreement
“Good First Group”	Good First Group Co., Ltd.* (福信集團有限公司), a limited liability company established in the PRC
“Good Fountain”	Good Fountain Holdings Limited, a company incorporated in the British Virgin Islands and is ultimately owned by Ms. Wong

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## DEFINITIONS

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“Guarantees”	the guarantees to be provided by the Company under the Guarantee Agreements
“Guarantee Agreements”	the Hongfu Guarantee Agreement and the Rongyin Guarantee Agreement
“Guarantee Fee”	the guarantee fee payable by the Borrowers to the Company pursuant to the terms of the Guarantee Service Agreement
“Guaranteed Loan Amount”	the potential liabilities for the total principal amount under the Facility Agreements that will be borne by the Company under the Guarantee Agreements, which is subject to a maximum cap of RMB1,300 million
“Guarantee Service Agreement”	the guarantee service agreement dated 30 December 2022 entered into between the Company and the Borrowers in relation to the payment of Guarantee Fee
“Group”	the Company and its subsidiaries
“Hongfu Facility Agreement”	the facility agreement dated 15 December 2022 entered into between the Bank and Xiamen Hongfu to provide loan facilities up to RMB400 million to Xiamen Hongfu
“Hongfu Guarantee Agreement”	the guarantee agreement dated 15 December 2022 entered into between the Company and the Bank to guarantee repayment obligations of Xiamen Hongfu under the Hongfu Facility Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors to advise the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	DL Securities (HK) Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Ms. Wong, Mr. Wu and their respective associates

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## DEFINITIONS

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“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and the connected persons of the Company or any of their respective associates
“Latest Practicable Date”	23 January 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MeiDi”	MeiDi Investment Holding Limited (美地投資控股有限公司), a limited liability company incorporated in the BVI, which is wholly owned by Mr. Wu
“Ms. Wong”	Ms. Wong Hei (黃晞), one of controlling shareholders of the Company
“Mr. Wu”	Mr. Wu Di (吳迪), an executive Director of the Company
“Pledge Agreements”	the pledge agreements entered into by each of Shanghai Tanglin and Xiamen Datang with the Bank on 15 December 2022 in relation to the Pledges
“Pledges”	pledges of the entire equity interests in the equity interests in certain subsidiaries of each of Shanghai Tanglin and Xiamen Datang under the Pledge Agreements
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Rongyin Facility Agreement”	the facility agreement dated 15 December 2022 entered into between the Bank and Xiamen Rongyin to provide loan facilities up to RMB900 million to Xiamen Rongyin
“Rongyin Guarantee Agreement”	the guarantee agreement dated 15 December 2022 entered into between the Company and the Bank to guarantee repayment obligations of Xiamen Rongyin under the Rongyin Facility Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tibet Yinrui”	Tibet Yinrui Enterprise Management Service Co., Limited.* (西藏銀睿企業管理服務有限公司), a limited company established in the PRC.
“US\$”	United States dollar, the lawful currency of the United States of America
“Xiamen Hexin”	Xiamen Hexin Consulting Service Co., Ltd.* (廈門合信諮詢服務有限公司), a limited liability company established in the PRC
“Xiamen Hongfu”	Xiamen Hongfu Trading Co., Ltd.* (廈門鴻孚貿易有限公司), a limited liability company established in the PRC
“Xiamen Rongyin”	Xiamen Rongyin Trading Co., Ltd.* (廈門融銀貿易有限公司), a limited liability company established in the PRC
“Xiamen Xindi”	Xiamen Xindi Group Co., Ltd.* (廈門信地集團有限公司), a limited liability company established in the PRC
“%”	per cent

\* For identification purposes only

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## LETTER FROM THE BOARD

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Datang Group Holdings Limited

大唐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2117)

*Executive Directors*

Mr. Wu Di (Chairman)

Mr. Hao Shengchun

Mr. Tang Guozhong

*Non-executive Director*

Ms. Chen Xiaoyun

*Independent non-executive Directors*

Mr. Chang Eric Jackson

Ms. Xin Zhu

Mr. Lok Chiu Chan

*Registered Office*

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Principal place of business in Hong Kong*

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

31 January 2023

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE**

#### **INTRODUCTION**

Reference is made to the Announcement in relation to the Agreements and the transactions contemplated thereunder. The purpose of this circular is to provide you with, among others, (i) further information in relation to the Agreements and the transactions contemplated thereunder; and (ii) a notice convening the EGM.

#### **The Financial Assistance provided to Xiamen Rongyin**

On 15 December 2022, Xiamen Rongyin entered into the Rongyin Facility Agreement with the Bank, pursuant to which the Bank agreed to provide loan facilities up to RMB900 million to Xiamen Rongyin with maturity dates falling on 15 December 2023. Within the one-year-term of facility period, Xiamen Rongyin may draw down the loan facilities at any time. On 15 December 2022, the Company as guarantor entered

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## LETTER FROM THE BOARD

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into the Rongyin Guarantee Agreement with the Bank, pursuant to which the Company agreed to provide guarantee in favour of the Bank to secure the repayment obligation of Xiamen Rongyin under the Rongyin Facility Agreement.

Pursuant to the Rongyin Facility Agreement, among others (i) the Company, as guarantor, entered into the Rongyin Guarantee Agreement with the Bank on 15 December 2022; and (ii) Shanghai Tanglin Enterprise Management Co., Ltd.\* (“**Shanghai Tanglin**”, a wholly-owned subsidiary of the Company), and Xiamen Datang Real Estate Group Co., Ltd.\* (“**Xiamen Datang**”, a wholly-owned subsidiary of the Company) entered into three pledge agreements with the Bank on 15 December 2022 to pledge certain equity interests in their respective subsidiaries in favour of the Bank to secure the repayment obligation of Xiamen Rongyin under the Rongyin Facility Agreement.

### **The Financial Assistance provided to Xiamen Hongfu**

On 15 December 2022, Xiamen Hongfu entered into the Hongfu Facility Agreement with the Bank, pursuant to which the Bank agreed to provide loan facilities up to RMB400 million to Xiamen Hongfu with maturity dates falling on 15 December 2023. Within the one-year-term of facility period, Xiamen Hongfu may draw down the loan facilities at any time. On 15 December 2022, the Company as guarantor entered into the Hongfu Guarantee Agreement with the Bank, pursuant to which the Company agreed to provide guarantee in favour of the Bank to secure the repayment obligation of Xiamen Hongfu under the Hongfu Facility Agreement.

The purpose of entering into the Guarantee Agreements and the Pledge Agreements by members of the Group is mainly to maintain a good relationship with Good First Group and to ensure that Good First Group will continue to provide guarantee for the onshore loans of the Company. Save as disclosed above, so far as the Directors being aware and having made all reasonable inquiries, there were no other guarantee, charge or pledge arrangements made by the Company in favour of the Bank to secure the Facility Agreements.

On 30 December 2022, Good First Group entered into the Counter-Guarantee Agreement with the Company, pursuant to which Good First Group shall provide a counter-guarantee in favour of the Company for all liabilities and obligations which may be borne by members of the Group under the Guarantee Agreements and the Pledge Agreements.

On 30 December 2022, in consideration of the provision of the Guarantees and the Pledges by the members of Group, the Company and the Borrowers entered into the Guarantee Service Agreement, pursuant to which each of the Borrowers shall respectively pay a Guarantee Fee to the Company.

### **GUARANTEE AGREEMENTS**

The Guarantees cover the (i) principal amounts and (ii) any interests, damages, compensation and any other fees and expenses for debt recovery and realization of security interests in the case of default by Xiamen Hongfu and Xiamen Rongyin in payment under the Facility Agreements (the “**interests and other payables**”), but in any event not exceeding (i) the loan principal amount of RMB400 million, and the interests and other payables under the Hongfu Facility Agreement; and (ii) the loan principal amount of RMB900 million, and the interests and other payables under the Rongyin Facility Agreement.



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## LETTER FROM THE BOARD

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Upon entering into of the Guarantee Agreements, the Company and the Bank agreed to terminate the two guarantee agreements entered into between them on 23 December 2021 in respect of the facilities granted by the Bank to Xiamen Hongfu and Xiamen Rongyin with immediate effect pursuant to the terms and conditions of the aforesaid guarantee agreements. Such termination is in compliance with the “Civil Code of the People’s Republic of China” (中華人民共和國民法典) (the “**Civil Code**”) and the Civil Code does not restrict the early termination of the guarantee agreements. For details of the guarantees, please refer to the announcement of the Company dated 24 December 2021.

The Guarantees shall remain valid for three years after the relevant maturity dates of the loan facilities under the Facility Agreements or the early repayment of all outstanding loans after the one-year facility term under the Facility Agreements. The aforementioned three-year term of Guarantees was determined in view of the requirement of limitation period of three years for debt recovery actions under the Civil Code which has come into effect on 1 January 2021. Under Article 188 of the Civil Code, an action instituted in a people’s court in the PRC for protection of civil rights must be brought within three years, except as otherwise prescribed by any law.

### THE COUNTER-GUARANTEE AGREEMENT

On 30 December 2022, Good First Group entered into the Counter-Guarantee Agreement with the Company, pursuant to which Good First Group shall provide a counter-guarantee in favour of members of the Group. The scope of the Counter-Guarantee Agreement is to counter guarantee: (a) all the liabilities and obligations of the members of the Group under the Guarantee Agreements and the Pledge Agreements; and (b) all reasonable expenses which may be incurred by the members of the Group in the course of recovering any payment made or loss due to its obligations under the Guarantee Agreements. In addition, Good First Group has guaranteed to the Company that if each of Xiamen Rongyin and Xiamen Hongfu may not be able to repay its debt under each of the Facility Agreements, Good First Group will arrange all its available resources to repay the relevant debt before the Company performing its obligations under the Guarantee Agreements. Pursuant to the Counter-Guarantee Agreement, no assets of Good First Group would be pledged.

The term of the Counter-Guarantee Agreement shall be effective from the date of the Counter-Guarantee Agreement and end on the expiry of the Guarantee Agreements.

### THE PLEDGE AGREEMENTS

Pursuant to the Rongyin Facility Agreement, the two wholly-owned subsidiaries of the Company, namely, Shanghai Tanglin and Xiamen Datang entered into three pledge agreements with the Bank on 15 December 2022 to pledge the entire equity interests in Xi’an Tangmen Real Estate Co., Ltd\* (西安唐門房地產有限公司) and Xi’an Tangmei Real Estate Co., Ltd\* (西安唐美房地產有限公司) (both wholly-owned subsidiaries of Xiamen Datang) and Zhangzhou Tanglin Real Estate Development Co., Ltd\* (漳州唐林房地產開發有限公司) (wholly-owned subsidiary of Shanghai Tanglin) in favor of the Bank to secure the repayment obligation of Xiamen Rongyin under the Rongyin Facility Agreement.

Zhangzhou Tanglin Real Estate Development Co., Ltd is a company established in the PRC with limited liability, which is principally engaged in property development. As at 30 September 2022, it had recorded a total asset, net liability and total liability of approximately RMB417.5 million, RMB0.9 million

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## LETTER FROM THE BOARD

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and RMB418.4 million, respectively, based on its management account. As at 30 September 2022, its major assets comprised long-term shareholding investment in Nanning Tianyu Jurong Realty Company Limited\* (南寧天譽巨榮置業有限公司), an associated company of the Group established in the PRC with limited liability and principally engaged in real estate development and sales of commercial properties in Guangzhou, Nanning, Zhuhai, Chongqing and Xuzhou, of approximately RMB399.2 million and other receivables which refer to intra-group transactions of approximately RMB18.3 million.

Xi'an Tangmen Real Estate Co., Ltd is a company established in the PRC with limited liability, which is principally engaged in property development. As at 30 September 2022, it had recorded a total asset, net liability and total liability of approximately RMB24.3 million, RMB6.5 million and RMB30.8 million, respectively, based on its management account. As at 30 September 2022, its major assets comprised inventory of approximately RMB16.5 million and deferred income tax assets of approximately RMB4.2 million and it had one residential property development project, Xi'an Dynasty Youth (West District) (西安大唐果(西區)), which was held for future development in Xi'an, Shaanxi, the PRC. The project occupies an aggregate site area of approximately 14,359 sq.m. and consists of residential units, commercial properties, car parks and ancillary facilities. As at the Latest Practicable Date, the construction of the project had not been commenced and it is expected that the construction will commence this year.

Xi'an Tangmei Real Estate Co., Ltd is a company established in the PRC with limited liability, which is principally engaged in property development and sales. As at 30 September 2022, it had recorded a total asset, net liability and total liability of approximately RMB17.7 million, RMB7.9 million and RMB25.6 million, respectively, based on its management account. As at 30 September 2022, its major assets comprised inventory of approximately RMB12.7 million and deferred income tax assets of approximately RMB4.9 million and it had one residential property development project, Xi'an Dynasty Youth (East District) (西安大唐果(東區)), which was held for future development in Xi'an, Shaanxi, the PRC. The project occupies an aggregate site area of approximately 11,739 sq.m. and consists of residential units, commercial properties, car parks and ancillary facilities. As at the Latest Practicable Date, the construction of the project had not been commenced and it is expected that the construction will commence this year.

The Pledges cover the principal amounts of RMB900 million, and the interests and other payables in case of default by Xiamen Rongyin under the Rongyin Facility Agreement, but in any event not exceeding RMB1,350 million under the Pledge Agreements.

On ascertaining the scope of guaranteed debt and the extent to which Xiamen Rongyin defaults under the Rongyin Facility Agreement, the Bank is entitled to dispose of the pledged equity interests in the relevant subsidiaries at any time. In the event that the Bank disposed of the pledged equity interests in the relevant subsidiaries under the Pledge Agreements, the Company's operation and financial performance will not be materially affected because (i) the relevant subsidiaries did not generate and contribute any revenue to the Group for the year ended 31 December 2021 and the nine months ended 30 September 2022; and (ii) the Group has a portfolio of over 100 property projects and each of Xi'an Tangmen Real Estate Co., Ltd and Xi'an Tangmei Real Estate Co., Ltd only holds one property project in which the construction of the project has not been commenced, respectively.

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## LETTER FROM THE BOARD

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### THE GUARANTEE SERVICE AGREEMENT

On 30 December 2022, in consideration of the provision of the Guarantees and the Pledges by members of the Group, the Company and the Borrowers entered into the Guarantee Service Agreement, pursuant to which each of the Borrowers shall respectively pay a Guarantee Fee to the Company. The Guarantee Fee in the first year shall be RMB6 million and RMB13.5 million respectively for each of Xiamen Hongfu and Xiamen Rongyin which shall be payable to the Company within 30 days after the drawdown of the relevant loan facility under the relevant Facility Agreements even if the actual guarantee period under the Guarantee Agreements is shorter than one year. If the loan facilities under the Facility Agreements had been repaid, the Company will not receive further Guarantee Fee for the remaining term of the Guarantee Agreements. As the Guarantee Agreements may be terminated earlier, to ascertain the number of days the Company has provided the guarantees for the following year, the Guarantee Fee shall be payable within 30 days after the end of each year and determined according to the following formula:

$$\text{Guarantee Fee receivable} = 1.5\% * \text{Amount} * n/365$$

“Amount” represents the principal amount guaranteed by the Company under the relevant Guarantee Agreement; and

“n” represents the number of days the Company have provided the guarantees during the relevant year.

The Guarantee Fee is subject to a maximum cap of RMB6 million and RMB13.5 million per annum respectively for Xiamen Hongfu and Xiamen Rongyin, being 1.5% of the Guaranteed Loan Amount. The Guarantee Fee was determined based on arm’s length negotiations between the parties with reference to the level of guarantee fees for comparable transactions in the market and three quotations obtained by the Company from three independent third party institutions randomly selected by the Company which are (i) principally engaging in the provision of guarantee services in the market; and (ii) operating in Xiamen in the PRC (similar geographical regions as the Borrowers and the Bank). The level of guarantee fees for these three quotations ranged from 0.8% to 2% per annum. Details of the quotations are as follows:

No.	Date of quotation obtained	Principal loan amounts to be guaranteed (RMB)	Term	Assets pledged	Rates of guarantee fee (per annum)	Counter-guarantee arrangement
1.	13 December 2022	1.3 billion	3 years, subject to early termination due to early repayment of loan	N/A	0.8%-1%	Yes
2.	12 December 2022	1.3 billion	3 years, subject to early termination due to early repayment of loan	N/A	1%-2%	Yes
3.	13 December 2022	1.3 billion	3 years, subject to early termination due to early repayment of loan	N/A	2%	Yes

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## LETTER FROM THE BOARD

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The Board is of the view that the references made to the above quotations to determine the rate for the Guarantee Fee being 1.5% per annum are sufficient, fair and representative since (i) the three independent third party institutions are all professional guarantee service providers in the market who possess the relevant professional guarantee service license which is issued and tightly regulated by the PRC government and had taken into account the principal business of the Borrowers and the Company and the market development and prospect; (ii) the three independent third party institutions are all operating in Xiamen in the PRC (similar geographical regions as the Borrowers and the Bank); (iii) the risk of liabilities under the Guarantee Agreements are relatively low after the due diligence (including reviewing the financial statements of Good First Group) conducted by the Group on the financial condition of Good First Group, which indicates that (a) as at 30 June 2022, the total assets of Good First Group recorded was RMB11,208.6 million and the net assets recorded was RMB4,512.0 million; and (b) the cash and bank balance of Good First Group amounted to RMB797.9 million as at 30 June 2022; and (iv) the rate for the Guarantee Fee being 1.5% per annum is on the higher end of the range of quotations provided by three independent third party institutions. The Board is also of the view that, although the quotations were obtained on a random basis, it is appropriate to determine the rate of the Guarantee Fee with reference to these quotation as (i) the independent third parties institutions were sizeable and reputable and have a proven track record of providing guarantees and other financial assistance in the PRC; (ii) the sample size is sufficient and is representative as there were no material discrepancies noted from the quotations obtained; (iii) it is the market practice to obtain similar sample size (around three quotations) for determining the rate of guarantee fee unless the quotations obtained were significantly different; and (iv) Good First Group had also obtained three quotations from three independent third parties institutions on 12 December 2022 and 13 December 2022 with respect to guaranteeing a three-year term loan (subject to early termination due to early repayment of loan) in the principal amount of RMB1.3 billion with counter-guarantee arrangement and no pledged assets, respectively, and had confirmed that the level of guarantee fees for the quotations obtained also ranged from 0.8% to 2% per annum. Although there are no pledged assets under the loans in relation to the above quotations, and the credit ratings and repayment ability of the Company, the Borrowers and Good First Group are different, the Company had discussed with the independent third party institutions and understood from them that there would be no change in the rate of guarantee fee even if there were pledged assets under the loans. Such representation from the independent third party institutions is in line with the Company's understanding and the market practice as the maximum amount guaranteed by the guarantor is the same even assets are pledged in addition to the guarantee provided. Given the above reasons and that the Guarantee Fee was determined based on arm's length negotiations between the parties, the Board is of the view that the Guarantee Fee is fair and reasonable.

The Board had also made references to comparable transactions on the market from public domain. The comparable transactions were selected based on the following criteria: (i) the guarantor is listed on the Stock Exchange; (ii) the guarantees are connected persons of the guarantor under the Listing Rules; (iii) a guarantee fee has been charged by the guarantor; and (iv) the comparable transactions taken place within the last 12 months from the date of the Announcement. Details of the comparable transactions are as follows:

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## LETTER FROM THE BOARD

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Stock Code	Company Name	Principal business of the company	Date of Announcement	Loan amount guaranteed (RMB)	Term	Rate of guarantee fee (Per annum)	Asset pledged by the relevant company in addition to the guarantee provided	Counter-guarantee by the guarantee
9608	Sundy Service Group Co. Ltd	Property management, hotel business services and long-term rental apartment services	31 January 2022	150 million	1 year	4%	29 units of residential properties with an appraised market value of RMB97.9 million	Yes
00893	China Vanadium Titanomagnetite Mining Company Limited	Mining and ore processing	16 May 2022	730 million	3 years	1.25%	N/A	Yes
00956	CHINA SUNTIEN GREEN ENERGY CORPORATION LIMITED	Sales of natural gas and wind power generation	25 August 2022	300 million	3 years	0.5%	N/A	Yes
01345	SHANGHAI PIONEER HOLDING LTD	Marketing, promotion and sales of pharmaceutical products, medical devices and personal protective equipment	28 October 2022	500 million	3 years	0.1%	N/A	Yes
2236	WISON ENGINEERING SERVICES CO. LTD.	Provision of project solutions to coal-to-chemicals producers	22 December 2022	1.005 billion	6 years	0.5%	N/A	N/A

The Directors are of the view that the above list of comparable transactions are fair and representative since (i) all the comparable transactions are similar in the nature compared with the Guarantees provided under Guarantee Agreements, namely provision of guarantee to connected person by a listed issuer of the Stock Exchange; (ii) although the list of comparable transactions have included companies principally engaged in various industries which differ from the Company, it provides a comprehensive range of guarantee fee rates for the Board's general reference in similar guarantee arrangements entered into by Hong Kong listed companies with their connected persons; (iii) comparable transactions were all taken place within 12 months from the date of the Announcement, which reflects the recent and latest market practice in charging connected persons for the guarantee services provided to them, thus having a better reference value in respect of timeliness; and (iv) such list of comparable transactions are exhaustive after researches on the website of the Stock Exchange based on the above criteria.

The guarantee fee rates in the above list of comparable transactions range from 0.1% to 4.0% per annum and the Guarantee Fee of 1.5% to be charged by the Company falls within such range and is higher than the average of 1.27% per annum of the comparable transactions. The Guarantee Fee of 1.5% was a commercial decision made by the Company and the Borrowers after arm's length negotiations and was arrived at by the parties after taking into account the quotations obtained from the aforementioned

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## LETTER FROM THE BOARD

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independent third party institutions, the comparable transactions in the market and the due diligence conducted by the Group on the financial condition of Good First Group. Based on the above, the Board is of the view that the Guarantee Fee is fair and reasonable.

Despite the different principal amounts under the Facility Agreements, being RMB400.00 million under the Hongfu Facility Agreement and RMB900.00 million under the Rongyin Facility Agreement, as both Xiamen Hongfu and Xiamen Rongyin are subsidiaries of and ultimately beneficially owned by Good First Group and are both covered by the counter guarantee provided by Good First Group under the Counter-Guarantee Agreement, the Directors are of the view that the risk exposure under the Facility Agreements are the same for determining the rate of 1.5% for the Guarantee Fee.

The Guarantee Service Agreement shall terminate upon the release of the Guarantees.

As each of the Agreements is conditional upon each other, the entry into the Agreements is proposed to be ordinary resolutions subject to the approval of the Independent Shareholders being obtained in accordance with the Listing Rules.

### REASONS FOR AND BENEFITS OF THE AGREEMENTS

The purpose of entering into the Guarantee Agreements and the Pledge Agreements by the Group is mainly to maintain a good relationship with Good First Group and ensure that Good First Group will continue to provide guarantee for the onshore loans of the Company. To the Directors' understanding, banks in the PRC will usually tend to require a borrower to provide additional guarantee before they may approve a loan subject to their internal control requirements. Under the promulgation of "housing is for living, not for speculation" (房住不炒), the PRC government has continuously improved its real estate austerity policies and successively issued regulations on the concentration of real estate loans (setting the upper limit of the proportion of real estate bank loans). Therefore, banks in the PRC would be more cautious in providing loans to property developers unless satisfactory guarantees could be provided by the borrower. Good First Group has provided guarantee from time to time for onshore loans obtained by the Group during the ordinary and usual course of business of the Group. As at the Latest Practicable Date, the principal amount guaranteed by Good First Group amounted to RMB1,450 million, which was on normal commercial terms or better and for which the Group was not required to provide a counter guarantee or pledge on its assets in favour of Good First Group and without any guarantee service fee. The details of the guarantees (including the summary of salient terms) provided by Good First Group for onshore loans of the Company are as follows:

## LETTER FROM THE BOARD

Lender	Parties involved	Principal amounts	Facility period	Interest rates	Scope of guarantee	Principal amount guaranteed	Guarantee period
China Minsheng Bank Corp., Ltd., Tianjin Branch	<p><b>Borrower:</b> Tianjin Haihui Real Estate Development Co., Ltd.* (the "Tianjin Haihui") (天津海匯房地產開發有限公司) (an indirectly wholly-owned subsidiary of the Company)</p> <p><b>Guarantor:</b> Good First Group</p>	RMB750,000,000	From 1 March 2019 to 1 July 2023	7.5% per annum	Principal amount and any interest, handling fees, damages, compensation and any other related fees and expenses that Tianjin Haihui are defaulted in payment.	RMB750,000,000	The guarantee shall be valid for three years after the relevant maturity date of the loan facility under the facility agreement or the early repayment of all outstanding loans after the facility period under the facility agreement, whichever is earlier.
China Minsheng Bank Corp., Ltd., Tianjin Branch	<p><b>Borrower:</b> Tianjin Haihui Real Estate Development Co., Ltd.* (天津海匯房地產開發有限公司) (an indirectly wholly-owned subsidiary of the Company)</p> <p><b>Guarantor:</b> Good First Group</p>	RMB700,000,000	From 25 May 2020 to 25 May 2023	6.5% per annum	Principal amount and any interest, handling fees, damages, compensation and any other related fees and expenses that Tianjin Haihui are defaulted in payment.	RMB700,000,000	The guarantee shall be valid for three years after the relevant maturity date of the loan facility under the facility agreement or the early repayment of all outstanding loans after the facility period under the facility agreement, whichever is earlier.
<b>Total:</b>						<b>RMB1,450,000,000</b>	

As at the Latest Practicable Date, the Group has no current intention nor in a progress of obtaining any further onshore loan which may require guarantee from Good First Group and to the best knowledge of the Directors and having made all reasonable inquiries, Good First Group has not indicated to terminate any guarantee for the existing onshore loans of the Group nor reject to provide guarantee for any future potential onshore loans of the Group.

As both Good First Group and the Group are beneficially owned by Ms. Wong, to the best knowledge of the Directors and having made all reasonable inquiries, it is a common and usual market practice for the Bank to require the Group instead of accepting an independent third-party guarantee service provider to provide guarantee due to the Bank's consideration on the factor of the credibility of the Company which is a

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## LETTER FROM THE BOARD

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listed company on the Stock Exchange with adequate internal control policies in place. Meanwhile, the arrangement of the Counter-Guarantee Agreement alongside with the Guarantee Agreements and the Pledge Agreements is to provide further protection to the Company and reduce its risk of being exposed to the liabilities under Guarantee Agreements.

In consideration of the provision of the Guarantees and the Pledges, the Group will also be entitled to a Guarantee Fee from the Borrowers under the Guarantee Service Agreement, which was determined after arm's length negotiations between the parties with reference to the level of guarantee fees for comparable transactions in the market and independent third-party quotations. The collection of the Guarantee Fee can therefore generate additional revenue and increase cash flows for the Group.

The Directors have performed the following works to assess the credit risks of entering into the Agreements: (i) conducted desktop searches and obtained confirmations from the Borrowers and Good First Group which indicate that there was no default history of the Borrowers and Good First Group; (ii) obtained and reviewed the financial statements and asset lists of the Borrowers and Good First Group as at 30 June 2022 which indicate that as at 30 June 2022, (a) the revenue, total assets (mainly consisted of cash and bank balance, prepayments and other intra-group receivables), total liabilities, and cash and bank balance recorded by Xiamen Rongyin were approximately RMB1,617.0 million, RMB3,961.0 million, RMB3,660.8 million and RMB361.7 million, respectively; (b) the revenue, total assets (mainly consisted of cash and bank balance and other intra-group receivables), total liabilities, and cash and bank balance recorded by Xiamen Hongfu were approximately RMB957.2 million, RMB2,023.1 million, RMB1,827.8 million and RMB255.7 million, respectively; and (c) the revenue, total assets (mainly consisted of cash and bank balance, investment in associated companies and banks, and other intra-group receivables), total liabilities, and cash and bank balance recorded by Good First Group were approximately RMB3,265.8 million, RMB11,208.6 million, RMB6,696.6 million and RMB797.9 million, respectively; and the Directors are of the view that the Borrowers and Good First Group have sufficient resources to cover the Guaranteed Loan Amount and the counter-guarantee; (iii) reviewed and assessed the business plans of the Borrowers which indicate that they had received stable amount of purchase orders for the trading business of non-ferrous metals and chemical products, and grain and edible oil products, and have sustainable business in these two years, and are of the view that the business of the Borrowers are expected to bring sufficient returns which can cover the Borrowers' repayment obligations under the Facility Agreements; and (iv) the Company had obtained a counter-guarantee from Good First Group for the loans obtained by the Borrowers under the Counter-Guarantee Agreement and the Company shall have recourse against Good First Group should the Borrowers default on their payment obligations.

As a safeguard measure, the Group will conduct media searches and communicate with the Borrowers and Good First Group from time to time to see if there is any material adverse change towards the financial position of the Borrowers and Good First Group which may potentially impair their ability to fulfill its obligations under the Facilities Agreements and the Counter-Guarantee Agreement. Furthermore, the Company will conduct review on the prevailing market rates for providing guarantee from time to time to determine if there is any unusual material change to the prevailing market rates to ensure that the guarantee fee rate under the Guarantee Service Agreement remains fair and reasonable. In the event that the Company finds the prevailing market rate of the commission is significantly lower than the current rate under the Guarantee Service Agreement, the Company will evaluate whether the Company should renegotiate with the Borrowers to revise the guarantee rate.



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## LETTER FROM THE BOARD

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Based on the above factors, the Directors are of the view that the terms of each of the Agreements are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION ON THE GROUP

The Group is principally engaged in property development business in the PRC.

### INFORMATION ON XIAMEN HONGFU AND XIAMEN RONGYIN

Xiamen Rongyin is a company established in the PRC with limited liability, which is principally engaged in trading and wholesale business. As at the Latest Practicable Date, Xiamen Rongyin is owned as to 93.35% by Good First Group and 6.65% by Xiamen Xindi. Good First Group is owned as to 61.03% by Ms. Wong, 18.005% by Chan Tan Yee, 18.005% by Chan Tinyiu, 1.96% by Xiamen Hexin and 1% by Chan Cheungming. Xiamen Hexin is owned as to 1% by Mr. Wu and 99% by Zhang Jianhua. Xiamen Xindi is owned as to 70% by Good First Group and 30% by Mr. Wu.

Xiamen Hongfu is a company established in the PRC with limited liability, which is principally engaged in trading business. As at the Latest Practicable Date, Xiamen Hongfu is owned as to 60% by Tibet Yinrui and 40% by Xiamen Rongyin. Tibet Yinrui is wholly owned by Good First Group.

### INFORMATION ON THE BANK

The Bank is a national joint-stock commercial bank incorporated in the PRC, the H shares of which are listed on the Stock Exchange (Stock Code: 1988). The Bank and its subsidiaries are principally engaged in the provision of corporate and personal banking services, treasury business, leasing business, fund and asset management business, investment banking business and other related financial services in the PRC. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, Good First Group holds less than 5% of total issued shares of the Bank, and Mr. Wu is a director of the Bank appointed by Good First Group. Except for Good First Group, all other shareholders of the Bank are Independent Third Parties.

### INFORMATION ON GOOD FIRST GROUP

Good First Group is a limited liability company established in the PRC, which is mainly engaged in trading and investment. As at the Latest Practicable Date, Good First Group is owned as to 61.03% by Ms. Wong, 18.005% by Chan Tan Yee, 18.005% by Chan Tinyiu, 1.96% by Xiamen Hexin and 1% by Chan Cheungming. Xiamen Hexin is owned as to 1% by Mr. Wu and 99% by Zhang Jianhua.

### BOARD APPROVAL

Mr. Wu is an executive Director and was considered to have a material interest in the transactions contemplated under the Agreements. Accordingly, he had abstained from voting on the relevant Board resolutions for approving the Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors was required to abstain from voting on the relevant Board resolutions.

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## LETTER FROM THE BOARD

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### IMPLICATIONS UNDER THE LISTING RULES

Xiamen Hongfu and Xiamen Rongyin are subsidiaries of Good First Group, a company owned as to 61.03% by Ms. Wong as at the Latest Practicable Date, a controlling shareholder of the Company. Therefore, Xiamen Hongfu, Xiamen Rongyin and Good First Group are associates of the connected person of the Company, and thus are connected persons of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Agreements exceeds 25%, the Agreements and the transactions contemplated thereunder constitute a major transaction and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

### EGM AND PROXY ARRANGEMENT

The EGM will be held at Hong Kong General Chamber of Commerce, 22/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 15 February 2023 at 3:00 p.m., for the purpose of considering and, if thought fit, passing ordinary resolutions to approve the Agreements and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. A proxy form for use at the EGM is also enclosed in this circular.

Ms. Wong and Mr. Wu have material interests in the Agreements and the transactions contemplated thereunder and will therefore be required to abstain from voting on the resolutions at the EGM. As at the Latest Practicable Date, Ms. Wong through Good Fountain held or controlled the voting rights in respect of 418,585,136 Shares, representing approximately 30.69% of the issued shares of the Company while Mr. Wu through MeiDi indirectly held or controlled the voting rights in respect of 407,789,564 Shares, representing approximately 29.9% of the issued shares of the Company. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Agreements and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM (i.e. before 3:00 p.m. on Monday, 13 February 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

### VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM will exercise his power under the articles of association of the Company to demand a poll in relation to the proposed resolutions at the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Agreements, as well as the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder, as well as the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice.

Having taken into account the terms of the Agreements, the information provided in the letter from the Board and the letter from the Independent Financial Adviser, the Independent Board Committee considers that (i) the terms of the Agreements are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated under the Agreements are not conducted in the ordinary and usual course of business of the Group but are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolutions as set out in the notice of EGM and to be proposed at the EGM for approving the Agreements and the transactions contemplated thereunder.

By order of the Board  
**Datang Group Holdings Limited**  
**Wu Di**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Agreements, which has been prepared for the purpose of inclusion in this circular.*



Datang Group Holdings Limited

大唐集團控股有限公司

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

**(Stock Code: 2117)**

31 January 2023

*To the Independent Shareholders*

Dear Sir or Madam

### **MAJOR AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE**

We refer to the circular issued by the Company to the Shareholders dated 31 January 2023 (the “**Circular**”) and issue this letter which forms a part thereof. Terms defined in the Circular shall have the same meanings as those used in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Agreements and to advise the Independent Shareholders in respect of the Agreements and transactions contemplated thereunder, details of which are set out in the “Letter from the Board” on pages 5 to 17 of the Circular. DL Securities (HK) Limited has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from Independent Financial Adviser” as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, DL Securities (HK) Limited as set out in their letter of advice, we consider that (i) the terms of the Agreements are on normal commercial terms and are fair and reasonable; and (ii) the transactions contemplated under the Agreements are not conducted in the ordinary and usual course of

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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business of the Group but are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions approving the Agreements and the transactions contemplated thereunder at the EGM.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee of  
**Datang Group Holdings Limited**

**Chang Eric Jackson**  
*Independent*  
*non-executive Director*

**Xin Zhu**  
*Independent*  
*non-executive Director*

**Lok Chiu Chan**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is the text of a letter received from DL Securities (HK) Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



29/F, Vertical Square  
28 Heung Yip Road  
Wong Chuk Hang, Hong Kong

31 January 2023

To: *the Independent Board Committee and  
the Independent Shareholders of Datang Group Holdings Limited*

Dear Sirs and Madams,

### MAJOR TRANSACTION AND CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the circular issued by the Company to the Shareholders dated 31 January 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the Announcement in relation to the Agreements and the transactions contemplated thereunder, Xiamen Hongfu and Xiamen Rongyin entered into the Facility Agreements with the Bank on 15 December 2022, pursuant to which the Bank agreed to provide loan facilities up to RMB400,000,000 to Xiamen Hongfu and up to RMB900,000,000 to Xiamen Rongyin respectively with maturity dates falling on the date after one year from the date of drawdown. On 15 December 2022, the Company as guarantor entered into the Guarantee Agreements with (i) the Bank, pursuant to which the Company agreed to provide guarantee in favour of the Bank to secure the repayment obligations of Xiamen Hongfu and Xiamen Rongyin under the respective Facility Agreements; and (ii) Shanghai Tanglin Enterprise Management Co., Ltd.\* (“**Shanghai Tanglin**”, a wholly-owned subsidiary of the Company), and Xiamen Datang Real Estate Group Co., Ltd.\* (“**Xiamen Datang**”, a wholly-owned subsidiary of the Company) entered into three pledge agreements with the Bank on 15 December 2022 to pledge certain equity interests in their respective subsidiaries in favour of the Bank to secure the repayment obligation of Xiamen Rongyin under the Rongyin Facility Agreement.

On 30 December 2022, Good First Group entered into the Counter-Guarantee Agreement with the Company, pursuant to which Good First Group shall provide a counter guarantee in favour of members of the Group for all liabilities and obligations which may be borne by members of the Group under the Guarantee Agreements and the Pledge Agreements, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 30 December 2022, in consideration of the provision of the Guarantees and the Pledges by the Company, the Company and the Borrowers entered into the Guarantee Service Agreement, pursuant to which each of the Borrowers shall respectively pay a Guarantee Fee to the Company.

### LISTING RULE IMPLICATION

As at the Latest Practicable Date, Ms. Wong is the controlling shareholder of the Company. As Xiamen Hongfu and Xiamen Rongyin are subsidiaries of Good First Group, a company owned as to 61.03% by Ms. Wong, Xiamen Hongfu, Xiamen Rongyin and Good First Group are associates of the connected persons of the Company and thus are connected persons of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the Agreements exceeds 25%, the Agreements and the transactions contemplated thereunder constitute a major transaction and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Ms. Wong and Mr. Wu have material interests in the Agreements and the transactions contemplated thereunder and will therefore be required to abstain from voting on the resolutions at the EGM. As at the Latest Practicable Date, Ms. Wong through Good Fountain held or controlled the voting rights in respect of approximately 30.69% of the issued Shares of the Company while Mr. Wu through MeiDi indirectly held or controlled the voting rights in respect of approximately 29.90% of the issued Shares of the Company. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Agreements and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chang Eric Jackson, Ms. Xin Zhu and Mr. Lok Chiu Chan, has been established to consider and advise the Independent Shareholders as to whether the terms of the Agreements and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolution approving the Agreements and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any material interest in the resolution approving the Agreements and the transactions contemplated thereunder.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and its shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolutions approving the Agreements and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OUR INDEPENDENCE

In the last two years, we did not have any other engagement with the Group as an independent financial adviser except for having been the independent financial adviser to the Company relating to the previous guarantee agreements, counter-guarantee agreement and guarantee service agreement dated 23 December 2021, details of which were set out in the Company's circular dated 26 January 2022. Notwithstanding that Mr. Chang Eric Jackson ("**Mr. Chang**"), an independent non-executive director of our parent company, DL Holdings Group Limited (stock code: 1709), has been appointed as an independent non-executive Director of the Company subsequent to our engagement as an independent financial adviser in respect of the Agreements, we are of the view that, which the Independent Board Committee concurs, Mr. Chang is independent of and does not involved in day-to-day operations of both the Company and the IFA group (as defined under the Listing Rules), and none of the members of the IFA group or any director or close associate of a director of us is a close associate or core connected person of the Company or another party to the transactions contemplated under the Agreements. As at the Latest Practicable Date, we did not have any relationships or interests with the Group or any other parties that could reasonably be considered to affect the independence of us. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the captioned transactions, and therefore we consider we are independent to the Company pursuant to Rule 13.84 of the Listing Rules and are eligible to give independent advice on the terms of the Agreements.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreements and the transactions contemplated thereunder (the "**Transactions**"), we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the management of the Company and its subsidiaries (the "**Management**"). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not,



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transactions, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation. This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Transactions, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASON CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### 1. Background of the Transactions

##### *1.1 Information of the Group*

As stated in the annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”), the Group is a property developer in China focusing on the development of residential and commercial properties. Headquartered in Shanghai, the Group has expanded its business into key regions in China, including the Western Taiwan Strait Economic Region, Beibu Gulf Economic Region, Yangtze River Delta Economic Region and Chengdu-Chongqing Region and other key cities along the Yangtze River.

The following is a summary of the unaudited consolidated financial results of the Group for the six months ended 30 June 2022 and audited consolidated financial results of the Group for the year ended 31 December 2021 as extracted from the interim report for the six months ended 30 June 2022 (the “**2022 Interim Report**”) and 2021 Annual Report respectively:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (i) Financial performance for the year ended 31 December 2021

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Revenue	11,254,171	10,588,379
– Sales of properties	10,653,058	10,109,291
– Provision of construction services	208,312	241,973
– Rental Income	91,050	56,408
– Provision of hotel services and others	301,751	180,707
Profit before tax	1,708,442	1,715,655
Profit for the year attributable to the Shareholders	726,438	715,372

During the year ended 31 December 2021 (“FY2021”), the Group recorded a revenue growth of approximately 6.3%, from approximately RMB10,588.4 million for the year ended 31 December 2020 (“FY2020”) to approximately RMB11,254.2 million for FY2021. The revenue growth was mainly attributable to the increase in revenue of the sales of properties segment from approximately RMB10,109.3 million for FY2020 to approximately RMB10,653.1 million for FY2021, representing an increase of approximately 5.4% due to the increase in delivery of projects during the year. The net profit attributable to owners of the Company increased by 1.5% to approximately RMB726.4 million for FY2021 from approximately RMB715.4 million for FY2020.

- (ii) Financial performance for the six months ended 30 June 2022

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue	2,338,712	3,306,534
– Sales of properties	2,223,280	2,943,641
– Provision of construction services	23,426	174,555
– Rental Income	32,508	56,103
– Provision of hotel services and others	59,498	132,235
Profit before tax	196,532	514,260
Profit for the year attributable to the Shareholders	51,027	244,370

The Group recorded a drop of revenue of approximately 29.3% from approximately RMB3,306.5 million for the six months ended 30 June 2021 (“1H2021”) to RMB2,338.7 million for the six months ended 30 June 2022 (“1H2022”). The drop of revenue was mainly attributable to the decrease in revenue of the sales of properties segment from approximately

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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RMB2,943.6 million for 1H2021 to approximately RMB2,223.3 million for 1H2022 because of the decrease in delivery of projects during the period, representing a reduction of approximately 24.5%. The net profit attributable to the owners of the Company dropped by approximately 79.1% to approximately RMB51.0 million for 1H2022 from approximately RMB244.4 million for 1H2021 which was primarily attributable to the combined effect of the decrease in sales revenue and decline in gross profit margin for 1H2022, the increase in amount of provision for the impairment on inventories and foreign exchange losses as a result of the challenging conditions in the real estate industry.

(iii) Financial position as of 31 December 2021 and 30 June 2022

	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Total assets	57,359,304	61,098,501
Non-current assets	7,595,115	8,727,361
Current assets	49,764,189	52,371,140
Total liabilities	47,484,239	50,893,514
Non-current liabilities	6,031,131	8,383,725
Current liabilities	41,453,108	42,509,789
Total borrowings	9,271,420	10,780,167
Net assets	9,875,065	10,204,987
Bank balance and cash	3,586,634	5,509,422

The Group recorded the total assets of approximately RMB57,359.3 million as at 30 June 2022, representing a decrease of approximately 6.1% as compared to approximately RMB61,098.5 million as at 31 December 2021 which was mainly attributable to the decrease in cash and bank deposit and the investments accounted for using the equity method. The total liabilities of the Group were approximately RMB47,484.2 million as at 30 June 2022, representing a decrease of approximately 6.7% as compared to approximately RMB50,893.5 million as at 31 December 2021 which was mainly attributable to the decrease in trade and other payable and the non-current portion of borrowings. Its total borrowings (which were short-term and long-term bank borrowings) as at 30 June 2022 were approximately RMB9,271.4 million, representing a decrease of approximately 14.0% as compared to approximately RMB10,780.2 million as at 31 December 2021. Net assets of the Group decreased from approximately RMB10,205.0 million as at 31 December 2021 to approximately RMB9,875.1 million as at 30 June 2022. Its current ratio remained stable which was approximately 1.2 times as at 31 December 2021 and 30 June 2022 respectively. As at 30 June 2022, the cash and bank balance of the Group amounted to approximately RMB3,586.6 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1.2 Background and Financial Information of the Borrowers

#### *Xiamen Rongyin*

Xiamen Rongyin is a company incorporated in the PRC with limited liability, which is principally engaged in trading and wholesale business. As at the Latest Practicable Date, Xiamen Rongyin is owned as to 93.35% by Good First Group and 6.65% by Xiamen Xindi. Good First Group is owned as to 61.03% by Ms. Wong, 18.005% by Chan Tan Yee, 18.005% by Chan Tinyiu, 1.96% by Xiamen Hexin, 1% by Chan Cheungming. Xiamen Hexin is owned as to 1% by Mr. Wu and 99% by Zhang Jianhua. Xiamen Xindi is owned as to 70% by Good First Group and 30% by Mr. Wu.

The following is a summary of the financial results of Xiamen Rongyin for FY2021 and 1H2022 as extracted from the audited report of Xiamen Rongyin for FY2021 which were prepared in accordance with the relevant accounting principles generally accepted in the PRC and the unaudited management accounts for 1H2022:

- (i) Financial performance for the year ended 31 December 2021 and six months ended 30 June 2022

	For the year ended 31 December		For the six months ended 30 June	
	2021 RMB'000 (audited) approximately	2020 RMB'000 (audited) approximately	2022 RMB'000 (unaudited) approximately	2021 RMB'000 (unaudited) approximately
Revenue	3,315,718	3,104,010	1,616,982	1,069,876
Profit/(loss) before tax	1,123	1,531	(7,281)	(9,194)
Net profit/(loss)	674	836	(7,281)	(9,541)

During FY2021, Xiamen Rongyin recorded a revenue growth of approximately 6.8%, from approximately RMB3,104.0 million for FY2020 to approximately RMB3,315.7 million for FY2021, mainly attributable to the increase in sales of non-ferrous metals and chemical products. However, the net profit dropped by approximately 19.4%, from RMB0.836 million for FY2020 to RMB0.674 million for FY2021, mainly attributable to the decrease in interest income from approximately RMB10.8 million for FY2020 to approximately RMB1.8 million for FY2021.

During 1H2022, Xiamen Rongyin recorded a significant revenue growth of approximately 51.1%, from approximately RMB1,069.9 million for 1H2021 to approximately RMB1,617.0 million for 1H2022 which was mainly attributable to the increase in sales of chemical products. The net loss decreased by approximately 23.7%, from RMB9.5 million for 1H2021 to RMB7.3 million for 1H2022, mainly attributable to the investment income arising from the disposal of the equity interest of an investment target.

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(ii) Financial position as of 31 December 2021 and 30 June 2022

	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
	approximately	approximately
Non-current assets	175,853	271,375
Current assets	3,785,138	2,551,625
Total liabilities	3,660,766	2,515,478
Non-current liabilities	528,175	559,800
Current liabilities	3,132,591	1,955,678
Total borrowings	2,286,475	2,389,560
Net assets	300,224	307,521
Bank balance and cash	361,742	435,856

Xiamen Rongyin recorded the total assets of approximately RMB3,961.0 million as at 30 June 2022, representing an increase of approximately 40.3% as compared to approximately RMB2,823.0 million as at 31 December 2021 which was mainly attributable to the increase in other receivables due to the intra-group transactions. The total liabilities of Xiamen Rongyin were of approximately RMB3,660.8 million as at 30 June 2022, representing an increase of 45.5% as compared to approximately RMB2,515.5 million as at 31 December 2021 which was mainly attributable to the increase in other payables due to the intra-group transactions. Its total borrowings (which were notes payable, short-term and long-term bank borrowings) as at 30 June 2022 were approximately RMB2,286.5 million, representing a decrease of approximately 4.3% as compared to approximately RMB2,389.6 million as at 31 December 2021. Net assets of Xiamen Rongyin decreased from approximately RMB307.5 million as at 31 December 2021 to approximately RMB300.2 million as at 30 June 2022. Its current ratio slightly decreased from approximately 1.3 times as at 31 December 2021 to approximately 1.2 times as at 30 June 2022. As at 30 June 2022, the cash and bank balance of Xiamen Rongyin amounted to approximately RMB361.7 million.

### *Xiamen Hongfu*

Xiamen Hongfu is a company incorporated in the PRC with limited liability, which is principally engaged in trading business. As at the Latest Practicable Date, Xiamen Hongfu is owned as to 60% by Tibet Yinrui and 40% by Xiamen Rongyin. Tibet Yinrui is wholly owned by Good First Group.

The following is a summary of the financial results of Xiamen Hongfu for FY2021 and 1H2022 as extracted from the audit report of Xiamen Hongfu for FY2021 which were prepared in accordance with the relevant accounting principles generally accepted in the PRC and the unaudited management accounts for 1H2022:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (i) Financial performance for the year ended 31 December 2021 and six months ended 30 June 2022

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
	approximately	approximately	approximately	approximately
Revenue	2,450,109	1,724,962	957,224	881,882
Profit/(loss) before tax	914	938	(7,827)	(8,430)
Net profit/(loss)	685	704	(7,827)	(8,430)

During FY2021, Xiamen Hongfu recorded a revenue growth of approximately 42.0%, from approximately RMB1,725.0 million for FY2020 to approximately RMB2,450.1 million for FY2021, mainly attributable to the increase in trading business of non-ferrous metals and chemical products. The net profit had a slight decrease by approximately 2.7%, from RMB0.704 million for FY2020 to RMB0.685 million for FY2021.

During 1H2022, Xiamen Hongfu recorded a revenue growth of approximately 8.5%, from approximately RMB881.9 million for 1H2021 to approximately RMB957.2 million for 1H2022 mainly attributable to the increase in trading business of grain and edible oil products. The net loss decreased by approximately 7.2%, from RMB8.4 million for 1H2021 to RMB7.8 million for 1H2022 which was in line with the improvement in revenue.

- (ii) Financial position as of 31 December 2021 and 30 June 2022

	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
	<i>RMB'000</i> (unaudited) approximately	<i>RMB'000</i> (audited) approximately
Total assets	2,023,127	1,239,460
Non-current assets	2	100,003
Current assets	2,023,125	1,139,457
Total liabilities	1,827,811	1,036,005
Non-current liabilities	99,000	0
Current liabilities	1,728,811	1,036,005
Total borrowings	1,265,130	947,900
Net assets	195,316	203,455
Bank balance and cash	255,680	203,308

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Xiamen Hongfu recorded the total assets of approximately RMB2,023.1 million as at 30 June 2022, representing an increase of approximately 63.2%, as compared to approximately RMB1,239.5 million as at 31 December 2021 which was mainly attributable to the increase in other receivables due to the intra-group transactions. The total liabilities of Xiamen Hongfu were approximately RMB1,827.8 million as at 30 June 2022, representing an increase of 76.4%, as compared to approximately RMB1,036.0 million as at 31 December 2021 which was mainly attributable to the increase in other payables due to the intra-group transactions. Its total borrowings (which were notes payable, short-term and long-term bank borrowings) as at 30 June 2022 were approximately RMB1,265.1 million, representing an increase of approximately 33.5% as compared to approximately RMB947.9 million as at 31 December 2021 as a result of the increase in short-term and long term borrowings. Net assets of Xiamen Hongfu decreased slightly from approximately RMB203.5 million as at 31 December 2021 to approximately RMB195.3 million as at 30 June 2022. Its current ratio slightly increased from approximately 1.1 times as at 31 December 2021 to approximately 1.2 times as at 30 June 2022. As at 30 June 2022, the cash and bank balance of Xiamen Hongfu amounted to approximately RMB255.7 million.

### 1.3 Information on Good First Group

Good First Group is a limited liability company established in the PRC, which is mainly engaged in trading and investment. As at the Latest Practicable Date, Good First Group is owned as to 61.03% by Ms. Wong, 18.005% by Chan Tan Yee, 18.005% by Chan Tinyiu, 1.96% by Xiamen Hexin and 1% by Chan Cheungming. Xiamen Hexin is owned as to 1% by Mr. Wu and 99% by Zhang Jianhua.

The following is a summary of the audited consolidated financial results of Good First Group for FY2020 and FY2021 as extracted from the audit report of Good First Group for FY2021 which were prepared in accordance with the relevant accounting principles generally accepted in the PRC, as well as the unaudited financial results for 1H2022 as extracted from the unaudited management accounts of Good First Group for 1H2022:

- (i) Financial performance for the year ended 31 December 2021

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
	approximately	approximately
Revenue	8,651,213	6,750,574
Profit before tax	43,357	44,902
Net profit	36,245	62,391

During FY2021, Good First Group recorded a revenue growth of approximately 28.2%, from approximately RMB6,750.6 million for FY2020 to approximately RMB8,651.2 million for FY2021, mainly attributable to increase in sales of non-ferrous metals and chemical

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products. However, the net profit had decreased by approximately 41.9%, from RMB62.4 million for FY2020 to RMB36.2 million for FY2021, mainly attributable to the decrease in investment income and the increase in bad debts.

(ii) Financial performance for the six months ended 30 June 2022

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
	approximately	approximately
Revenue	3,265,782	2,609,797
Profit/(loss) before tax	(1,492)	171,288
Net profit/(loss)	(19,625)	146,417

During 1H2022, Good First Group recorded an increase in revenue of approximately 25.1%, from approximately RMB2,609.8 million for 1H2021 to approximately RMB3,265.8 million for 1H2022, mainly attributable to the increase in revenue arising from trading business. Good First Group recorded a net loss of approximately RMB19.6 million for 1H2022 as compared to a net profit of approximately RMB146.4 million for 1H2021, mainly as a result of the decrease in investment income due to the loss recognised from the disposal of an equity investment.

(iii) Financial position as of 31 December 2021 and 30 June 2022

	<b>As at 30</b>	<b>As at 31</b>
	<b>June 2022</b>	<b>December 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
	approximately	approximately
Total assets	11,208,593	11,681,060
Non-current assets	5,913,260	7,150,481
Current assets	5,295,333	4,530,579
Total liabilities	6,696,561	7,301,378
Non-current liabilities	2,070,282	1,626,448
Current liabilities	4,626,279	5,674,929
Total borrowings	5,852,105	6,071,490
Net assets	4,512,032	4,379,682
Bank balance and cash	797,870	851,001

Good First Group recorded the total assets of approximately RMB11,208.6 million as at 30 June 2022, representing a slight decrease of approximately 4.0%, as compared to approximately RMB11,681.1 million as at 31 December 2021. The total liabilities of Good First Group were approximately RMB6,696.6 million as at 30 June 2022, representing a decrease of 8.3%, as compared to approximately RMB7,301.4 million as at 31 December 2021.



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Its total borrowings (which were notes payable, short-term and long-term bank borrowings) as at 30 June 2022 were approximately RMB5,852.1 million, representing slight decrease of approximately 3.6% as compared to approximately RMB6,071.5 million as at 31 December 2021. Net assets of Good First Group increased slightly from approximately RMB4,379.7 million as at 31 December 2021 to approximately RMB4,512.0 million as at 30 June 2022. Its current ratio improved from approximately 0.8 times as at 31 December 2021 to approximately 1.1 times as at 30 June 2022, as a result of (i) the increase in current assets mainly due to the increase in other receivables; and (ii) the decrease in current liabilities mainly due to the decrease in short term borrowings. As at 30 June 2022, the cash and bank balance of Good First Group amounted to approximately RMB797.9 million.

### **2. Reasons and benefits of the Agreements**

As stated in the Letter from the Board, the entering into the Guarantee Agreements and the Pledge Agreements by the Company is mainly to ensure that Good First Group will continue to provide guarantee for the onshore loans of the Company. Due to the difficulty in obtaining bank financing for property developers upon the continuous improvement on the real estate austerity policies and the successive regulations on the concentration of real estate loans by the PRC government, Good First Group has provided guarantee from time to time for onshore loans obtained by the Group during the ordinary and usual course of business of the Group. As at the Latest Practicable Date, the effective guarantee provided by Good First Group amounted to RMB1.45 billion, which was on normal commercial terms or better and for which the Group was not required to provide a counter guarantee or pledge on its asset in favor of Good First Group and without any guarantee service fee. Having reviewed the relevant loan agreements and guarantee agreements, we noticed that the RMB1.45 billion guarantee comprise of the guarantee provided by Good First Group in 2 onshore loans of the Group for which the loans are mainly for the development and construction of certain property projects of the Group in the PRC, details of which are set out under the section headed “Reasons for and benefits of the Agreements” in the Letter from the Board. The amounts guaranteed by Good First Group in these 2 onshore loans are equivalent to the principal amounts of the respective loans obtained by the subsidiaries of the Group, plus any interest, handling fees, damages, compensation and any other related fees and expenses that the subsidiaries of the Group are defaulted in payment. The duration of such guarantees shall be valid for three years after the relevant maturity dates of the loan facilities or the early repayment of all outstanding loans after the facility period under the facility agreements, whichever is earlier. No counter-guarantee had been provided by the Group to Good First Group in respect of the guarantees provided by Good First Group on these 2 onshore loans.

Pursuant to the Agreements, the estimated maximum amount of the Company’s liabilities under the Guarantee Agreements is the aggregate loans principal amount of RMB1.3 billion, plus interests and other related fees and expenses. Good First Group, being the controlling shareholder of the Borrowers, has also provided the same guarantees in favour of the Bank to secure the repayment obligations of the Borrowers. Based on our research and review of the transactions of listed companies on the Stock Exchange involving a listed company providing guarantee services for the financing facilities of its connected person as set out in the sub-section headed “(d) Comparable analysis on the Guarantee Fee” under the section headed “The Guarantee Service Agreement”, we note that it is not an uncommon practice for commercial banks or any third-party financial institutions in the PRC as a condition for the provision of loan facilities or financing, to require the borrower entity’s key stakeholders and beneficial owners, as well as entities that are under common control, in particular those with solid financial background and better transparency, e.g. listed

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companies, to provide a guarantee and/or security, which is also in line with our understanding. According to the 2022 Interim Report, the Company's net asset value amounted to approximately RMB9.88 billion with a cash and bank balance of approximately RMB3.59 billion as at 30 June 2022, details of which are set out in the section headed "1.1 Information of the Group" above. Having considered that Good First Group has also provided the same guarantees in favour of the Bank in respect of the Facility Agreements, we are of the view that the provision of the Guarantees by the Group to the Borrowers as requested by the Bank is justifiable and not an uncommon market practice.

As a guarantor to the Borrowers, the Company will not incur any impact on the cash-flow of the Group whereas the Group will also generate additional income from the Guarantee Fee. In consideration of the provision of the Guarantees, the Group will be entitled to a guarantee fee of up to RMB19.5 million per annum, being 1.5% of the Guaranteed Loan Amount, from the Borrowers under the Guarantee Service Agreement, which was determined after arm's length negotiations between the parties with reference to the level of guarantee fees for comparable guarantees in the market, details of which are set out in the sub-section headed "(d) Comparable analysis on the Guarantee Fee" below.

We were also given to understand that, in order to protect the Company's interests, the Company is willing to provide the Guarantees on the condition that Good First Group agrees to enter into the Counter-Guarantee Agreement. Further, considering the financial resources and financial position of Good First Group and the existing guarantees provided by Good First Group for the Group, the Management considered that the counter-guarantee arrangement provided by Good First Group can mitigate the Company's risk exposure as the Group can enforce the Counter-Guarantee Agreement in the event where the Group is called upon by the Bank to fulfil its guarantee obligation for the Borrowers if the Borrowers defaults and hence the Management do not anticipate any material adverse impact on the Company's financial position in case of the default by the Borrowers.

Based on the above and our assessment on the financial status of Good First Group as discussed in the sub-section headed "(c) Counter-Guarantee" below, we concur with the Director's view that (i) the provision of the counter-guarantee by Good First Group under the Counter-Guarantee Agreement can safeguard the Group in the provision of the Guarantees with respect to the loan facilities pursuant to the Agreements, and (ii) the provision of the Guarantees to the Borrowers will ensure that Good First Group will continue to provide guarantee for the onshore loans of the Company. Due to the recent difficulty in obtaining bank financing for property developers, Good First Group has provided guarantee from time to time for onshore loans obtained by the Group during the ordinary and usual course of business of the Group. As at the Latest Practicable Date, the effective guarantee provided by Good First Group amounted to RMB1.45 billion, which was on normal commercial terms or better and for which the Group was not required to provide a counter guarantee on its asset in favour of Good First Group and without any guarantee service fee.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Principal terms of the Facility Agreements and the Agreements

#### *The Facility Agreements*

The Facility Agreements were entered into on 15 December 2022 between the Bank and the Borrowers. Pursuant to the Facility Agreements, the principal amount of the loan facility is up to RMB400,000,000 to Xiamen Hongfu and up to RMB900,000,000 to Xiamen Rongyin respectively for a term of one year.

#### *The Guarantee Agreements*

On 15 December 2022, the Company as guarantor entered into the Guarantee Agreements with the Bank, pursuant to which the Company agreed to provide guarantee in favor of the Bank to secure the repayment obligations of Xiamen Hongfu and Xiamen Rongyin under the respective Facility Agreements. The principal amount guaranteed under the Guarantee Agreements is not exceeding the aggregate loan principal amount of RMB1,300,000,000 plus interests and other related fees and expenses.

The term of the Guarantees shall be three years after the relevant maturity dates of the loan facilities under the Facility Agreements or the early repayment of all outstanding loans after the one-year facility term under the Facility Agreements, whichever is earlier. As set out in the Letter from the Board, the term of Guarantees of three years were determined in view of the requirement of limitation period of three years which has come into effect on 1 January 2021 for debt recovery actions under the PRC laws. We have reviewed the “General Provisions of the Civil Law of the People’s Republic of China” (中華人民共和國民法總則) (the “**Civil Law**”) and the “Civil Code of the People’s Republic of China” (中華人民共和國民法典) (the “**Civil Code**”) and noticed that, the extinctive prescription had been changed from 2 years to 3 years under the Civil Law since 1 October 2017 while the Civil Law was later on replaced by the Civil Code since 1 January 2022. Under Article 188 of the Civil Code, an action instituted in a people’s court for protection of civil rights is prescribed by three years, except as otherwise prescribed by any law. The guarantees provided by Good First Group on the 2 onshore loans of the Group have guarantee period of three years after the relevant maturity dates of the loan facilities or the early repayment of such loans are also in line with the change in the extinctive prescription period as prescribed under the Civil Law and Civil Code.

#### *The Pledge Agreements*

Pursuant to the Rongyin Facility Agreement, the two wholly-owned subsidiaries of the Company, namely, Shanghai Tanglin and Xiamen Datang entered into the Pledge Agreements to pledge the entire equity interests in Xi’an Tangmen Real Estate Co., Ltd\* (西安唐門房地產有限公司) and Xi’an Tangmei Real Estate Co., Ltd\* (西安唐美房地產有限公司) (both wholly-owned subsidiaries of Xiamen Datang) and Zhangzhou Tanglin Real Estate Development Co., Ltd\* (漳州唐林房地產開發有限公司) (wholly-owned subsidiaries of Shanghai Tanglin) in favor of the Bank to secure the repayment obligation of Xiamen Rongyin under the Rongyin Facility Agreement. The Pledges cover the principal amounts of RMB900 million, and the interests and other payables in case of default by Xiamen Rongyin under the Rongyin Facility Agreement, but in any event not exceeding

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RMB1,350 million under the Pledge Agreements. On ascertaining the scope of guaranteed debt and the extent to which Xiamen Rongyin defaults under Rongyin Facility Agreement, the Bank is entitled to dispose of the pledged equity interests in the relevant subsidiaries at any time.

### *The Counter-Guarantee Agreement*

On 30 December 2022, Good First Group entered into the Counter-Guarantee Agreement with the Company, pursuant to which Good First Group shall provide a counter guarantee in favour of members of the Group. The scope of the Counter-Guarantee Agreement is to counter guarantee: (a) all the liabilities and obligations of members of the Group under the Guarantee Agreements and the Pledge Agreements respectively; and (b) all reasonable expenses which may be incurred by members of the Group in the course of recovering any payment made or loss due to their obligations under the Guarantee Agreements. In addition, Good First Group has guaranteed to the Company that if each of Xiamen Rongyin and Xiamen Hongfu may not be able to repay its debt under each of the Facility Agreement, Good First Group will arrange all its available resources to repay the relevant debt before the Company performing their obligations under the Guarantee Agreements.

The term of the Counter-Guarantee Agreement shall be effective from the date of the Counter-Guarantee Agreement and end on the expiry of the Guarantee Agreements.

### *The Guarantee Service Agreement*

On 30 December 2022, in consideration of the provision of the Guarantees by the Company, the Company and the Borrowers entered into the Guarantee Service Agreement, pursuant to which each of the Borrowers shall respectively pay to the Company a Guarantee Fee. For the first annum, the Guarantee Fee in the first year shall be RMB6 million and RMB13.5 million respectively for each of Xiamen Hongfu and Xiamen Rongyin which shall be payable to the Company within 30 days after the drawdown of the relevant loan facility under the relevant Facility Agreement even if the actual guarantee period under the Guarantee Agreements is shorter than one year. If the loan facilities under the Facility Agreements will be repaid, the Company will not receive further Guarantee Fee for the remaining term of the Guarantee Agreements.

As the Guarantee Agreements may be terminated earlier, to ascertain the number of days the Company have provided the guarantees for the following year, the Guarantee Fee shall be payable within 30 days after the end of each year and determined according to the following formula:

$$\text{Guarantee Fee receivable} = 1.5\% * \text{Amount} * n/365$$

“Amount” represents the principal amount guaranteed by the Company under the relevant Guarantee Agreement; and

“n” represents the number of days the Company have provided the guarantee during the relevant year.

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The Guarantee Fee is subject to a maximum cap of RMB6 million and RMB13.5 million per annum respectively for Xiamen Hongfu and Xiamen Rongyin, being 1.5% of the Guaranteed Loan Amount. The Guarantee Fee was determined based on arm's length negotiations between the parties with reference to the level of guarantee fees for comparable transactions in the market and three quotations obtained by the Company from three independent third party institutions randomly selected by the Company which are (i) principally engaging in the provision of guarantee services in the market; and (ii) operating in Xiamen in the PRC (similar geographical regions as the Borrowers and the Bank). The level of guarantee fees for these three quotations ranged from 0.8% to 2% per annum.

The Guarantee Service Agreement shall terminate upon the release of the Guarantees.

As each of the Agreements is conditional upon each other, the entering into of the Agreements is proposed to be an ordinary resolution subject to the approval of the Independent Shareholders being obtained in accordance with the Listing Rules.

In assessing whether the terms of the Agreements are fair and reasonable, we have reviewed the principal terms of the Agreements as discussed below:

(a) *Guarantees*

We note that the Guarantees under the Guarantee Agreements are being provided on a joint liability basis. As at the Latest Practicable Date, the Borrowers are the subsidiaries of Good First Group, a company of which owned as to 61.03% by Ms. Wong, a controlling Shareholder of the Company. Although the Guarantees are being provided on a joint liability basis, we note that pursuant to the Counter-Guarantee Agreement, Good First Group will arrange all its available resources to repay the relevant debt before the Company performing their obligations under the Guarantee Agreements. We refer to our research as set out in the sub-section headed “(d) Comparable analysis on the Guarantee Fee” below and it is noted that certain of the Comparable Companies Transactions (as defined below) did not even involve the provision of counter-guarantee in respect of the guarantee given.

Having considered (i) the Guarantees provided by the Group on the entire amount under the loan facilities will be counter-guaranteed by Good First Group in the event of default by the Borrowers pursuant to the Counter-Guarantee Agreement; and (ii) there are certain Comparable Companies Transactions (as defined below) which involved the provision of guarantee service to connected persons without any counter-guarantee, we are of the view that it is acceptable for the Group to provide the Guarantees to the Borrower on a joint liability basis.

(b) *Pledges*

We note that the under the Pledges, the entire equity interests in (i) Xi'an Tangmen Real Estate Co., Ltd.\* (“**Xi'an Tangmen**”); (ii) Xi'an Tangmei Real Estate Co., Ltd\* (“**Xi'an Tangmei**”); and (iii) Zhangzhou Tanglin Real Estate Development Co., Ltd\* (“**Zhangzhou Tanglin**”) (collectively, the “**Pledged Companies**”) are pledged in favour of the Bank to secure the repayment obligation of Xiamen Rongyin under the Rongyin Facility Agreement.

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We have obtained and reviewed the management accounts of the Pledged Companies as of 30 September 2022 and noticed that Xi'an Tangmen, Xi'an Tangmei and Zhangzhou Tanglin recorded a net liability of approximately RMB6.54 million, RMB7.93 million and RMB0.92 million, respectively. We were also given to understand that Xi'an Tangmen, Xi'an Tangmei and Zhangzhou Tanglin are project companies of the Group which are principally engaged in property development business. As at the Latest Practicable Date, the key assets of the Pledged Companies comprised of two property development projects in Xi'an, Shaanxi, the PRC for which the construction of the two projects had not been commenced yet. In the event that Xiamen Rongyin defaults under Rongyin Facility Agreement, the Bank is entitled to dispose of the pledged equity interests in the Pledged Companies. Nevertheless, having considered (i) the existing scale of assets of the Pledged Companies in terms of their net liability position; (ii) the underlying property development projects are still in early stage before the commencement of construction; (iii) the total number of project companies in the portfolio of the Group; and (iv) the counter guarantee provided by the Good First Group, we concur with the view of the Board that the entering into the Pledge Agreements will not materially affect the operation and financial performance of the Group.

(c) *Counter-Guarantee*

We note that, pursuant to the Counter-Guarantee Agreement, Good First Group agrees to indemnify the Group under the Counter-Guarantee Agreement for all liabilities and reasonable expenses which may be incurred by the Company under the Guarantee Agreements. In other words, in extreme case where neither the Borrowers nor Good First Group are capable to repay their loans or satisfy the obligations under the Counter-Guarantee Agreement, the maximum potential liability to be borne by the Group would be the aggregate loan principal amount of RMB1.3 billion and the interests and other payables under the Facility Agreements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For purpose of assessing the financial status and the level of protection offered by Good First Group under the Counter-Guarantee Agreement, we have reviewed the unaudited management accounts of Good First Group for 1H2022. Set out below is the current assets of Good First Group as at 30 June 2022 as extracted from its unaudited management accounts for 1H2022:

	<i>RMB'000</i> (unaudited) approximately
Cash:	
Cash on hand and at bank	136,683
Security deposits	595,967
Time deposits	65,000
Others	<u>221</u>
Total cash & cash equivalent	797,870
Financial assets held-for-trading	258,000
Accounts receivables	165,186
Prepayments	198,835
Other receivables	3,359,857
Inventories	513,456
Other current assets	<u>2,129</u>
Total current assets	<u><u>5,295,333</u></u>

As at 30 June 2022, the major current assets of Good First Group consisted of, among others, (i) the cash and cash equivalent amounted to approximately RMB797.9 million; (ii) financial assets held-for-trading of approximately RMB258.0 million; (iii) other receivables of approximately RMB3,359.9 million, and the net asset value attributable to owners was approximately RMB4,512.0 million. Among the current assets of approximately RMB5,295.3 million, approximately 49.5% of the financial assets held-for-trading has been pledged and approximately RMB596.0 million of cash has been placed as security deposits for the bank acceptance bills. We also noticed that Good First Group had current liabilities of approximately RMB4,626.3 million and recorded net current assets of approximately RMB669.1 million as at 30 June 2022. Nevertheless, Good First Group recorded a net asset value of approximately RMB4,512.0 million as at 30 June 2022. As such, we have enquired into how Good First Group would manage the financial position as well as the liquidity management. We were given understanding that Good First Group has continuously expanded its financing channels and balanced the distribution of debt maturity so as to avoid the payment risk caused by a single financing channel or servicing concentrated mature debts. Also, certain loans of Good First Group are backed by the pledge of financial or investment assets which could also facilitate the renewal of the debts when they become due. In terms of contingency plan when any of such current liabilities could not be either repaid by internal resources or

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renewed, Good First Group may consider realising certain unpledged financial or investment assets or use such assets as collateral to secure additional financing. The following set out the listed and unlisted shares of banks in the PRC as of 30 June 2022:

Bank	Listed/Non-listed	No. of shares owned	No. of pledged shares	No. of unpledged shares	Value on book as of 30 June 2022 (RMB)
Bank A	a PRC bank listed in Shanghai and Hong Kong	268,340,026	268,180,000	160,026	998,224,897
Bank B	a non-listed PRC bank	200,000,000	99,000,000	101,000,000	258,000,000
Bank C	a non-listed PRC bank	207,143,942	152,454,450	54,689,492	2,519,547,307
Bank D	a non-listed PRC bank	942,335,616	Nil	942,335,616	1,616,462,592

Good First Group possesses listed and unlisted shares of certain banks in the PRC of which approximately RMB258.00 million, RMB2,519.5 million and RMB2,614.7 million are classified as financial assets held-for-sale, long-term equity investment and other equity instrument investment on the accounts of Good First Group as at 30 June 2022, respectively. Based on their respective values in the financial statements of Good First Group as at 30 June 2022, approximately RMB997.6 million of the listed shares of PRC Bank and approximately RMB1,982.1 million of the unlisted shares of the PRC Banks have been pledged for the loans of Good First Group. The listed and unlisted shares of these PRC Banks have contributed dividend income of approximately RMB199.0 million on average during 2018 to 2021 which covered a major portion of the finance costs on the bank loans and borrowings of Good First Group.

In assessing the estimated market value of the unpledged shares of these 3 non-listed PRC banks (the “**Unlisted PRC Bank Shares**”), given that there is not an active market for the Unlisted PRC Bank Shares, reference has been made to the volume-weighted average of transacted prices of the shares of these 3 non-listed PRC banks with reference to the completed auction records on the network platform of Alibaba Judicial Auction (<https://sf.taobao.com/>) and JingDong Judicial Auctions (<https://auction.jd.com/sifa.html>) since 1 January 2022 and up to the date of the Announcement. We considered the review period of approximately twelve-month prior to the date of the Announcement as adequate and more appropriate since the most recent transacted market prices of the Unlisted PRC Bank Shares would reflect the latest valuation acceptable to the potential buyers taking into account of the banks’ latest business performance and financial positions. The estimated value of the Unlisted PRC Bank Shares would then be calculated based on the volume weighted average price (“**VWAP**”) derived from the completion auction records and multiplied by the number of the respective Unlisted PRC Bank Shares. The following table set out the details of the completed auction records:



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**Bank B:**

<b>Transaction Date</b>	<b>Number of shares</b>	<b>Consideration (RMB)</b>	<b>Price per share (RMB)</b>
21 Jun 2022	187,932	414,657	2.206

**Bank C:**

<b>Transaction Date</b>	<b>Number of shares</b>	<b>Consideration (RMB)</b>	<b>Price per share (RMB)</b>
6 Dec 2022	538,027	3,214,792.00	5.975
30 Sep 2022	117,299	1,312,611	11.190
18 Jun 2022	270,351	2,900,000	10.727
7 May 2022	73,500	725,000	9.864
		VWAP	8.159

**Bank D:**

<b>Transaction Date</b>	<b>Number of shares</b>	<b>Consideration (RMB)</b>	<b>Price per share (RMB)</b>
24 May 2022	242,245,542	185,812,021	0.767
24 May 2022	78,385,840	60,125,075	0.767
		VWAP	0.767

The estimated value of the unpledged Unlisted PRC Bank Shares is then calculated based on the respective VWAP of the Unlisted PRC Bank Shares:

	<b>Number of unpledged shares</b>	<b>VWAP (RMB)</b>	<b>Estimated value (RMB million)</b>
Bank B	101,000,000	2.206	222.81
Bank C	54,689,492	8.159	446.21
Bank D	942,335,616	0.767	<u>722.77</u>
		Total	<u><u>1,391.79</u></u>

Based on the said transaction records above, the estimated value of the unpledged Unlisted PRC Bank Shares amounts to approximately RMB1,391.8 million. Nevertheless, it should be noted that the sale of the unpledged Unlisted PRC Bank Shares may subject to additional factors which may affect the actual transaction price, e.g. the availability of potential

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buyers for suitable size, the fundamentals and financial performance of these PRC banks and the then market sentiment, etc. Therefore, the estimation above is mainly for providing a general reference on potential market value of the unpledged Unlisted PRC Bank Shares.

As advised by the Management, in the case where the Borrowers fail to repay their respective loans under the Facility Agreements, Good First Group will first attempt to repay the loans on behalf of the Borrowers based on its internal financial resources and may consider realising certain portion of the unpledged Unlisted PRC Bank Shares when necessary. With the presence of the Counter-Guarantee Agreement and having considered (i) Good First Group's cash on hand and at bank, together with the time deposits, amounted to approximately RMB201.7 million as of 30 June 2022; (ii) the estimated value of the unpledged Unlisted PRC Bank Shares of approximately RMB1,391.8 million is of comparable amount to the aggregated loan principal amount of RMB1,300 million under the Facility Agreements; and (iii) the net current assets and net assets attributable to owners of Good First Group were of approximately RMB669.1 million and RMB4,512.0 million respectively as at 30 June 2022, we concur with the view of the Management that Good First Group is financially sound to indemnify any possible liabilities and expenses which may be incurred by the Group under the Guarantee Agreements.

*(d) Comparable analysis on the Guarantee Fee*

As mentioned in the Letter from the Board, the Borrowers under the Guarantee Service Agreement shall pay to the Company a guarantee fee of 1.5% of the actual amount drawn down under the loan facilities multiplied by the number of days the Company has provided guarantee for the amount drawn down and divided by 365 days (which is subject to a maximum amount of RMB19.5 million per annum, being 1.5% of the Guaranteed Loan Amount (the "**Guarantee Fee Rate**") in consideration of the provision of the Guarantees to the Bank.

To assess the fairness and reasonableness of the guarantee fee, we have obtained and reviewed the quotations of provision of guarantee provided by the Company which was obtained by the Good First Group from three independent third-party financial institutions (the "**Guarantee Companies**") which specialise in provision of financial guarantee service. We have also conducted independent desktop search and reviewed the background, registered capital and principal business of the Guarantee Companies. Based on the public available information, we noted that the Guarantee Companies include (i) a company incorporated in Quanzhou in 2005 with limited liability and registered capital of RMB100 million of which Quanzhou State Owned Assets Investment Management Co., Ltd. is one of the minority shareholders and is principally engaging in providing guarantee services on loans, acceptance of bills, trade finance, project financing, letter of credit, etc. ("**Guarantee Company A**"); (ii) a company incorporated in Xiamen in 2015 with limited liability and a registered capital of RMB1.65 billion which is a subsidiary of a listed company in the PRC, engaging in the provision of one-stop integrated financial services including but not limited to asset management, risk management, finance lease and guarantee services ("**Guarantee Company B**"); and (iii) a company incorporated in 2015 in Xiamen with limited liability and a registered capital of RMB150 million, indirectly wholly-owned by the State-owned Assets Supervision

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and Administration Commission of Xiamen People's Government, engaging in the provision of guarantee services on loans, acceptance of bills, trade finance, project financing, letter of credit, etc. ("**Guarantee Company C**"). Details of the quotations are as follows:

<b>Guarantee Companies</b>	<b>Principal loan amounts to be guaranteed</b>	<b>Guarantee fee level (per annum)</b>	<b>Assets pledge</b>	<b>Counter-guarantee arrangement</b>
A	RMB1.3 billion	2%	N/A	Yes
B	RMB1.3 billion	1-2%	N/A	Yes
C	RMB1.3 billion	0.8-1%	N/A	Yes

Although there are only three selected Guarantee Companies, having considered that (i) the Guarantee Companies are specialised in the provision of guarantee services and operate in the similar geographic areas to the Borrowers and therefore the quoted guarantee fee rates of the Guarantee Companies are able to reflect the prevailing market rate of guarantee fee; (ii) the quotations were obtained on during mid December 2022 which was reasonably close to the dates of the Agreements; and (iii) the practice of obtaining quotations from at least three independent third party is in line with the practice and/or the internal control policies of other listed companies on the Stock Exchange, we are of the view that the selected Guarantee Companies are able to serve as representative samples for comparison purpose and general reference for determining the guarantee fee to be charged by the Company. Based on the guarantee fee quotations acquired from the three financial institutions, we observed that the Guarantee Companies proposed to charge the guarantee fee ranged from 0.8% to 2%. Upon comparison, we noted that the guarantee fee 1.5% charged by the Company is slight above the mid-point of such range of guarantee fees quoted from the Guarantee Companies for similar guarantee provision services.

We have also reviewed the announcements for the transactions involving the provision of guarantee service by companies listed on the Stock Exchange to their respective connected persons in obtaining loans or banking facilities (the "**Comparable Companies Transactions**") during the period from 1 January 2022 and up to the date of the Announcement. We considered that review period of approximately twelve-month prior to the date of the Announcement to be a reasonable period of time for us to identify a representative sample of Comparable Companies Transactions which reflects the recent and latest market practice in charging connected persons for the guarantee services provided to them. To the best of our knowledge and as far as we are aware, we have identified nine Comparable Companies Transactions (excluding that of the Company), and we consider that such transactions are exhaustive based on the above criteria and can provide a reference on the recent transactions involving the provision of guarantee service to connected persons in such period, and they are fair and representative samples. Nevertheless, the Shareholders should note that the businesses, operations and prospects of the Group are not the same as the companies under the Comparable Companies Transactions, therefore, the Comparable Companies Transactions are only used to provide a general reference for the common market practice in similar guarantee service arrangements in the PRC entered into by those listed companies with their connected parties. However, having considered that (i) the number of Comparable Companies

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Transactions identified; and (ii) the terms of the Comparable Companies Transactions were determined under similar market conditions during the review period, we are of the view that it could, to the extent practicable, provide a general reference in assessing the fairness and reasonableness of the Guarantee Fee Rate. Details of the Comparable Companies Transactions are summarised as follows:

Date of Announcement	Stock Code	Company Name	Borrower's Relationship with the Listed Company	Guarantee		
				Amount (RMB million)	Mutual/ Counter-Guarantee	Guarantee Fee
31 Jan 2022	9608	Sundy Service Group Co. Ltd	Borrower is a wholly-owned subsidiary of the controlling shareholder	150	Yes	4%
16 May 2022	893	China Vanadium Titanomagnetite Mining Company Limited	Certain substantial shareholders own more than 30% equity interests in the holding company of the borrower	730	Yes	1.25%
26 May 2022	503	Lansen Pharmaceutical Holdings Limited	Borrower is an indirect wholly-owned subsidiary of the controlling shareholder	130	Yes	0.50%
25 Aug 2022	956	China Suntien Green Energy Corporation Limited	Borrower is a non-wholly owned subsidiary of the controlling shareholder while the listed company has a minority interest in the borrower	300	Yes	0.50%
28 Oct 2022	1345	Shanghai Pioneer Holding Ltd	Borrower is a connected subsidiary of the listed company	500	Yes	0.10%
1 Nov 2022	1266	Xiwang Special Steel Company Limited	Borrowers are the controlling shareholder and its subsidiaries (other than that of the listed company)	5,000	No	0.50% of the net exposure amount
4 Nov 2022	1252	China Tianrui Group Cement Company Limited	Borrower is the controlling shareholder of the listed company	3,000	Yes	Nil
23 Dec 2022	3668	Yancoal Australia Ltd	Borrowers are the subsidiaries of the controlling shareholder of the listed company	765.8 <sup>1</sup>	No	the bank guarantee fees to be paid by Yancoal Australia Ltd to the relevant financiers plus a 5% margin
30 Dec 2022	358	Jiangxi Copper Company Limited	Borrower is the substantial shareholder of a subsidiary of the listed company	2,550	Yes	Nil
				<b>Max<sup>2</sup>:</b>	4.0%	
				<b>Min<sup>2</sup>:</b>	Nil	
				<b>Average<sup>2</sup>:</b>	0.9%	

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*Note:*

- 1) The guarantee amount for Yancoal Australia Ltd is AUD170 million and has been shown in RMB in the table above for illustrative purpose.
- 2) The guarantee fee level charged by Yancoal Australia Ltd was excluded in such calculation as the guarantee fee charged by the relevant financiers was not disclosed in the announcement.

As shown in the table above, we note that the guarantee fee rates charged under the Comparable Companies Transactions ranged from nil to 4.0% per annum and note that the Guarantee Fee of 1.5% to be charged by the Group falls within such range and is higher than the mean of 0.9% per annum of the Comparable Companies Transactions. There are also certain Comparable Companies Transactions involving larger guarantee amounts but with nil or lower guarantee fee level. Based on the above, we consider the Guarantee Fee Rate of 1.5% per annum for the Guarantees is fair and reasonable.

Having considered that (i) the provision of the Guarantees as the security for the Facility Agreements is requested by the Bank which is not an uncommon practice; (ii) the Guarantees will be secured by the counter-guarantee provided by Good First Group, which would mitigate the credit risk exposure of the Group under the Guarantees provided to the Borrowers; and (iii) the rate of the Guarantee Fee of 1.5% per annum for the Guarantees is fair and reasonable, we are of the view that the terms of the Agreements are on normal commercial terms.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that although the entering into of the Agreements is not in the ordinary and usual course of business of the Group, the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and the entering into of the Agreements is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully  
For and on behalf of  
**DL Securities (HK) Limited**  
**Tommy Cheng**  
*Managing Director*  
*Corporate Finance Division*

Yours faithfully  
For and on behalf of  
**DL Securities (HK) Limited**  
**Nathan Au**  
*Managing Director*  
*Corporate Finance Division*

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*Mr. Tommy Cheng and Mr. Nathan Au are licensed persons under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of DL Securities (HK) Limited. Mr. Tommy Cheng and Mr. Nathan Au have over 12 and 3 years of experience in corporate finance industry, respectively.*

*\* For identification purpose only.*

## 1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2019, 2020 and 2021 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022, together with the relevant notes thereof are disclosed in the following documents:

- (i) the prospectus of the Company published on 27 November 2020 (the “**Prospectus**”) (pages I-1 to I-92)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1127/2020112700019.pdf>
- (ii) the annual report of the Company for the year ended 31 December 2020 published on 9 April 2021 (the “**2020 Annual Report**”) (pages 121 to 267)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0409/2021040900832.pdf>
- (iii) the annual report of the Company for the year ended 31 December 2021 published on 29 April 2022 (the “**2021 Annual Report**”) (pages 119 to 275)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042900121.pdf>
- (iv) the interim report of the Company for the six months ended 30 June 2022 published on 16 September 2022 (pages 29 to 70)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0916/2022091600381.pdf>

## 2. STATEMENT OF INDEBTEDNESS

### **Borrowings**

As at 30 November 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings with a carrying amount of approximately RMB7,918.9 million, comprising (i) approximately RMB460.0 million of unsecured and unguaranteed bank and other borrowings, (ii) approximately RMB723.0 million of secured and unguaranteed bank and other borrowings, (iii) approximately RMB4,167.7 million of secured and guaranteed bank and other borrowings, and (iv) approximately RMB2,568.2 million of unsecured and guaranteed senior notes. Certain bank borrowings were secured by charges over property, plant and equipment, properties under development for sales, investment properties, right of use assets and restricted cash, details are listed as follow:

- (i) property, plant and equipment, investment properties and right of use assets with a carrying value of approximately RMB572 million;
- (ii) properties under development for sales with a carrying value of approximately RMB11,388 million; and
- (iii) restricted cash of approximately RMB563.8 million.

**Lease Liabilities**

As at 30 June 2022, the Group had lease liabilities of RMB85 million which were secured by rental deposits and unguaranteed.

**Contingent Liabilities**

As at 30 June 2022, the Group provided guarantees of approximately RMB12,366 million to banks for mortgage loans made by the banks to the purchasers of properties sold by the Group in the PRC.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business as at 30 November 2022, the Group did not have any debt securities issued and outstanding, or otherwise created but unissued, or loan capital, or other borrowings or similar indebtedness including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, or hire purchase commitments, or mortgages and charges, and there were no other material contingent liabilities nor guarantees.

**3. WORKING CAPITAL STATEMENT**

The Directors, after due and careful enquiry, are of the opinion that, after taking into account of the financial resources available to the Group, including internally generated funds and available bank facilities, the Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this circular.

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

**4. FINANCIAL EFFECTS OF THE FINANCIAL ASSISTANCE**

The Directors consider that the transactions under the Agreements will not have any material financial impact on the earnings, assets and liabilities of the Group, except that the amount of the Guarantees may be a contingent liability for the Group. However, the Directors do not expect the Group to recognise any amount of the Guarantees as contingent liability as the possibility of the enforcement of the Guarantees are remote based on the credit risk assessment conducted by the Group which is illustrated under the section headed “Reasons for and benefits of the Agreements” in this Circular.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

As at 30 November 2022, the Group achieved total contracted sales of RMB18,140 million, and the business performance maintained stable in general. In the first half of 2022, the Group achieved a revenue of approximately RMB2,340 million, net profit reached approximately RMB50 million. As at 30 June 2022, the Group’s net debt ratio was 57.5%, and the cash on book amounted to RMB3,590 million, reflecting that the Group has sufficient working capital and was in a healthy financial position.



The Group followed the geographical layout of “2+1+X”, which focused on Beibu Gulf Region, consolidated existing layout in the urban agglomerations of the Western Taiwan Strait Economic Region, and established a relatively stable scale advantage. Meanwhile, the Group seized the opportunity of relocating our headquarters to Shanghai, by taking root quickly in the Yangtze River Delta region, as well as successively entered into core cities with economic vitality. We have strengthened strategic cooperation with leading companies in the industry, all of which will lay a solid foundation for the Group to become a national comprehensive real estate corporation. As of 30 June 2022, the total gross floor area of the Group’s land bank was 2,231 m<sup>2</sup>.

The Group will continue to uphold the principle of seeking progress while maintaining stability, maintain bottom-line thinking, and balance and predict development and risks. The Group will continue to focus on customers, improve the quality of service and customer satisfaction. The Group will continue to improve the level of financial and cost management in accordance with the capital market requirements. The Group will also continue to adopt the friendly platform strategy, explore opportunities and provide equity interests to attract strategic investors, platform resources and other ways, to promote steady development of the Company, striving to become a high-quality listed company with sustainable development capabilities.

## 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 misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its 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 the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules are set out below:

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company
Mr. Wu <sup>1</sup>	Controlled corporation	407,789,564	29.90%
Hao Shengchun <sup>2</sup>	Controlled corporation	34,725,060	2.54%
Tang Guozhong <sup>2</sup>	Controlled corporation	34,725,060	2.54%

*Notes:*

- These Shares are owned by Mr. Wu through his wholly-owned company, MeiDi. By virtue of the SFO, Mr. Wu is deemed to be interested in the Shares held by MeiDi.
- Tangjia Real Estate Management Co., Limited\* ("Tangjia") is owned as to 20% by Mr. Hao Shengchun and Mr. Tang Guozhong, respectively. By virtue of the SFO, each of Mr. Hao Shengchun and Mr. Tang Guozhong is deemed to be interested in the respective 34,725,060 and 34,725,060 Shares held by Tangjia.
- As at the Latest Practicable Date, the Company has issued 1,363,544,000 Shares.

Save as disclosed above, as at Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, 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 the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

- (b) **As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO:**

Name of Company	Name of Director	Position held by the Director in the company
MeiDi	Mr. Wu	Director

### 3. COMPETING BUSINESS

As at the Latest Practicable Date, Xiamen Gefusite Real Estate Co., Ltd.\* (“**Xiamen Gefusite**”) is indirectly owned as to 29.92% by Mr. Wu. Although there is overlap between the business of Xiamen Gefusite and the Group, having taken into account that (a) substantially all of the properties developed by Xiamen Gefusite have been completed and delivered; and (b) Mr. Wu has undertaken to procure Xiamen Gefusite not to engage in property development business in the future, the Directors are of the view that no material competition exists between Xiamen Gefusite and the Group.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any direct or indirect interests in any businesses that constitutes or may constitute a competing business of the Company.

### 4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had entered into any service contract or letter of appointment with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**5. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group; and
- (ii) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

**6. QUALIFICATION OF EXPERT AND CONSENT**

The qualification of the expert who has given an opinion or advice in this circular is as follows:

<b>Name</b>	<b>Qualification</b>
DL Securities (HK) Limited	a licensed corporation to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert mentioned above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and the references to its name included herein in the form and context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) has no direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

**7. GENERAL**

The joint company secretaries of the Company are Mr. Tang Guozhong and Ms. Mok Ming Wai. Mr. Tang Guozhong is a member of the Chinese Institute of Certified Public Accountant and a registered tax advisor in the PRC. He also obtained a senior accountant certificate from Fujian Provincial Personnel Department (福建省人事廳). Ms. Mok Ming Wai is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

The registered office of the Company is situated at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The head office and principal place of business of the Company is Block 1, Hongqiao Jiahui Lane 928, Shenhong Road, Minhang District, Shanghai, the PRC. The Hong Kong share registrar of the Company is Tricor Investor Services Limited, situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

## 8. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

## 9. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the capital increase agreement dated 8 July 2021 entered into between Zhangzhou Tanglin Real Estate Development Co., Ltd\* (“**Zhangzhou Tanglin**”), an indirect wholly-owned subsidiary of the Company, Nanning Tianyu Yujun Investment Co., Ltd.\* (“**Tianyu Yujun**”) and Nanning Tianyu Jurong Realty Company Limited\* (“**Tianyu Jurong**”), in relation to the acquisition of 20% equity interest of Tianyu Jurong by Zhangzhou Tanglin by way of capital contribution of RMB605,930,000 to Tianyu Jurong;
- (b) the cooperative development agreement dated 30 September 2021 entered into between Tianyu Jurong, Chongqing Hesheng Property Development Co., Ltd.\* (“**Chongqing Hesheng**”), Chongqing Tangcheng Property Development Co., Ltd.\* (“**Chongqing Tangcheng**”), an indirect wholly-owned subsidiary of the Company, and Chongqing Zhiyuan Property Co., Ltd.\* (“**Chongqing Zhiyuan**”), in relation to the increase in capital contribution by Chongqing Hesheng to Chongqing Zhiyuan from RMB20,820,000 to RMB60,000,000, Chongqing Tangcheng’s capital contribution to Chongqing Zhiyuan in the amount of RMB20,000,000, and Chongqing Tangcheng’s payment of RMB84,778,000 to Tianyu Jurong as consideration;
- (c) the guarantee agreement dated 23 December 2021 entered into between the Company and the Bank to guarantee repayment obligations of Xiamen Hongfu under the facility agreement dated 16 December 2021 entered into between the Bank and Xiamen Hongfu to provide loan facilities up to RMB400,000,000 to Xiamen Hongfu (the “**2021 Hongfu Guarantee Agreement**”);
- (d) the guarantee agreement dated 23 December 2021 entered into between the Company and the Bank to guarantee repayment obligations of Xiamen Rongyin under the facility agreement dated 16 December 2021 entered into between the Bank and Xiamen Rongyin to provide loan facilities up to RMB900,000,000 to Xiamen Rongyin (the “**2021 Rongyin Guarantee Agreement**”);

- (e) the counter-guarantee agreement dated 23 December 2021 entered into between the Company and Good First Group, a connected person of the Company by virtue of being a company owned as to 61.03% by Ms. Wong, in relation to the counter-guarantee provided by Good First Group in favour of the Company in respect of the guarantees provided by the Company under the 2021 Hongfu Guarantee Agreement and the 2021 Rongyin Guarantee Agreement;
- (f) the guarantee service agreement dated 23 December 2021 entered into between the Company, Xiamen Hongfu and Xiamen Rongyin in relation to the payment of guarantee fee payable by Xiamen Hongfu and Xiamen Rongyin to the Company pursuant to the terms of such agreement;
- (g) the loan agreement dated 26 October 2022 entered into between Chongqing Hesheng and Chongqing Tangcheng, an indirect wholly-owned subsidiary of the Company, in relation to the provision of a loan in the principal amount of up to RMB350,000,000 by Chongqing Tangcheng to Chongqing Hesheng;
- (h) the Guarantee Agreements;
- (i) the Pledge Agreements;
- (j) the Counter-Guarantee Agreement;
- (k) the Guarantee Service Agreement;
- (l) the share transfer agreement dated 30 December 2022 entered into between Xiamen Datang, an indirect wholly-owned subsidiary of the Company, Guangxi Jishunlong Sports Development Co., Ltd.\* (“**Guangxi Jishunlong**”) and Xiamen Shengshanling Commercial Management Co., Ltd.\* (“**Xiamen Shengshanling**”) in relation to the sale of 80% of the equity interest in Xiamen Shengshanling at a total consideration of RMB251,810,000 by Xiamen Datang to Guangxi Jishunlong;
- (m) the share transfer agreement dated 30 December 2022 entered into between Zhangzhou Tanglin, an indirect wholly-owned subsidiary of the Company, Shenzhen Jiayi Trading Company Limited\* (“**Jiayi Trading**”) and Tianyu Jurong in relation to the sale of 20% of the equity interest in Tianyu Jurong at a total consideration of RMB395,800,000, comprising (1) the assumption of the debt by Jiayi Trading in the amount of RMB35,800,000 due by Zhangzhou Tanglin to Tianyu Jurong; and (2) an offset of a debt in the amount of RMB360,000,000 due by Zhangzhou Tanglin to Jiayi Trading; and
- (n) the share transfer agreement dated 30 December 2022 entered into between Chongqing Tangcheng, an indirect wholly-owned subsidiary of the Company, Chongqing Hesheng, Tianyu Jurong and Chongqing Zhiyuan, in relation to the acquisition of 60% and 20% of the equity interests in Chongqing Zhiyuan by Chongqing Tangcheng from Chongqing Hesheng and Tianyu Jurong respectively, at a total consideration of RMB542,077,556, comprising (1) the

assumption of the debt in the amount of RMB262,077,556 due by Chongqing Hesheng to Chongqing Zhiyuan by Chongqing Tangcheng; and (2) an offset of an amount of RMB280,000,000 due by Chongqing Hesheng to Chongqing Tangcheng.

Save as disclosed above, there is no material contract (not being entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date.

#### **10. DOCUMENTS ON DISPLAY**

A copy of each of the following documents will be available on display online on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the Company's website ([www.dyna888.com](http://www.dyna888.com)) from the date of this circular up to and including the date of the EGM:

- (a) the Guarantee Agreements; and
- (b) the Pledge Agreements.

#### **11. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse changes in the financial or trading position of the Group since the date to which the latest published audited accounts of the Company have been made up.

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## NOTICE OF EGM

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*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.*



**Datang Group Holdings Limited**  
**大唐集團控股有限公司**

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

**(Stock Code: 2117)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 2023 first extraordinary general meeting (the “EGM”) of Datang Group Holdings Limited (the “Company”) will be held at Hong Kong General Chamber of Commerce, 22/F, United Centre, 95 Queensway, Hong Kong on Wednesday, 15 February 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the resolutions set out below as ordinary resolutions of the Company. Unless the context requires otherwise, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 31 January 2023.

#### **As Ordinary Resolutions**

**“THAT,**

- (a) the Agreements, copies of which are tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, the terms thereof and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Agreements.”

By order of the Board  
**Datang Group Holdings Limited**  
**Wu Di**  
*Chairman*

Hong Kong, 31 January 2023



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## NOTICE OF EGM

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*Notes:*

1. The resolutions at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.dyna888.com](http://www.dyna888.com)) in accordance with the Listing Rules.
2. All shareholders of the Company are eligible for attending the EGM. Any independent shareholder of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint a proxy or more than one proxy to attend the EGM and vote instead of him/her. A proxy does not need to be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the proxy form. Every shareholder of the Company present in person or by proxy shall be entitled to one vote for each share held by him/her.
3. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. before 3:00 p.m. on Monday, 13 February 2023) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
4. Record time and date for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be 8:00 a.m. on Wednesday, 15 February 2023. In order to qualify for attending and voting at the EGM, shareholders of the Company whose transfer documents have not been registered are required to submit the share certificates together with the properly completed share transfer forms to the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 14 February 2023 for registration.
5. The instrument appointing the proxy must be in writing and signed by the appointor or his/her attorney duly authorised in writing, or if the appointer is a legal person, either under a legal person's seal or signed by its director or an attorney duly authorised in writing.
6. The EGM (or any adjournment thereof) is expected to take no more than half a day. Shareholders of the Company or their proxies attending the EGM (or any adjournment thereof) shall bear their own travelling and accommodation expenses.

*As at the date of this notice, the executive Directors are Mr. WU Di, Mr. HAO Shengchun, and Mr. TANG Guozhong, the non-executive Director is Ms. CHEN Xiaoyun, and the independent non-executive Directors are Mr. CHANG Eric Jackson, Ms. XIN Zhu and Mr. LOK Chiu Chan.*