



**GUANGDONG – HONG KONG GREATER BAY AREA  
HOLDINGS LIMITED**

**粵 港 灣 控 股 有 限 公 司**

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

**(Stock code: 1396)**

*Executive Directors:*

Mr. Luo Jieping (*Chairman*)

Mr. He Fei (*CEO*)

Ms. Wei Haiyan

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Mr. Han Qinchun

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Hong Kong

30 September 2025

*To the Shareholders*

Dear Sir/Madam,

**(I) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL IN THE TARGET COMPANY  
INVOLVING THE ISSUE OF CONSIDERATION SHARES**

**UNDER SPECIFIC MANDATE**

**(II) APPLICATION FOR WHITEWASH WAIVER**

**AND**

**(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

## INTRODUCTION

Reference is made to the Announcement in relation to, amongst other things, the Acquisition.

The purposes of this circular are to provide you with information regarding, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition and the issue of the Consideration Shares under the Specific Mandate; (ii) details of the application for the Whitewash Waiver; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) financial information and other information of the Group; (vi) the accountant's report of the Target Group; (vii) unaudited pro forma financial information of the Enlarged Group; (viii) the Valuation Report; (ix) other information as required under the Listing Rules and the Takeovers Code; and (x) a notice of the EGM.

## THE ACQUISITION

On 14 July 2025 (before trading hours of the Stock Exchange), the Company (as the Purchaser) entered into the Sale and Purchase Agreement with the Vendor, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor have conditionally agreed to sell the Sale Shares (representing the entire issued share capital of the Target Company), at the Consideration in the amount of HK\$976,500,000.

The Consideration shall be satisfied by allotment and issuance of the Consideration Shares at the Issue Price under the Specific Mandate to be sought by the Company at the EGM.

### **The Sale and Purchase Agreement**

The principal terms of the Sale and Purchase Agreement are set out as follows:

#### ***Date***

14 July 2025 (before trading hours of the Stock Exchange)

#### ***Parties to the Sale and Purchase Agreement***

- (a) The Company (as the Purchaser and the issuer of the Consideration Shares); and
- (b) The Vendor

### ***Subject Matter of the Acquisition***

Pursuant to the terms of the Sale and Purchase Agreement, the Company (as the Purchaser) has conditionally agreed to acquire, and the Vendor have conditionally agreed to sell the Sale Shares (representing the entire issued share capital of the Target Company), at the Consideration in the amount of HK\$976,500,000. The Consideration of the Acquisition shall be satisfied by the allotment and issue of the Consideration Shares at the Issue Price (i.e. HK\$3.15 per Share) under the Specific Mandate to be sought by the Company at the EGM.

### ***Conditions Precedent of the Sale and Purchase Agreement***

The Acquisition is conditional upon the following conditions being fulfilled (or waived, where applicable):

- (a) the Listing Committee shall have granted or agreed to grant the approval for the listing of and permission to deal in the Consideration Shares;
- (b) the Independent Shareholders shall have approved the Acquisition, the Sale and Purchase Agreement and all transactions contemplated thereunder (including the Specific Mandate and the corresponding issuance of the Consideration Shares) at the EGM by more than 50% of the votes cast by the Independent Shareholders in accordance with the Listing Rules and the Takeovers Code;
- (c) the Independent Shareholders having passed the necessary resolution approving the Whitewash Waiver at the EGM by at least 75% of the votes cast by the Independent Shareholders in accordance with the Takeovers Code;
- (d) the Executive having granted the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver granted, and the Whitewash Waiver not being revoked;
- (e) the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement remains the same up to the date of the Completion;
- (f) the Board approving the Acquisition, the entering into and the execution and performance of the Sale and Purchase Agreement;
- (g) the board of directors of the Vendor approving the Acquisition, the entering into and the execution and performance of the Sale and Purchase Agreement;
- (h) all other applicable laws, rules and regulations including but not limiting to the Listing Rules and/or the Takeovers Code for the Acquisition and the transactions contemplated under the Sale and Purchase Agreement shall have been complied with by the Company, the Vendor and the Purchaser;

- (i) the VIE Agreements and their relevant documents having been duly executed with a legal opinion having been issued by the legal adviser to the Company as to the PRC laws in the form and substance to the satisfaction of the Purchaser, on the matters relating to the VIE Agreements;
- (j) no event occurring which constitutes a material adverse change (as set out in the Sale and Purchase Agreement) has occurred on the financial position, business, prospect or results of operations of the Target Group as a whole prior to the date of Completion; and
- (k) the representations, warranties and undertakings made by the Vendor under the Sale and Purchase Agreement shall be true, accurate and not misleading in all material aspects as at the date of the Acquisition and up to the date of Completion.

As at the Latest Practicable Date, the respective representations, warranties and undertakings made by the Purchaser and the Vendors are true, accurate and not misleading with respect to the Acquisition and the transactions contemplated thereunder.

As at the Latest Practicable Date, Conditions Precedent contemplated under (f), (g) and (i) above are fulfilled.

The Vendor and the Purchaser may, in writing, waive in whole or in part any of the Conditions Precedent contemplated under (j) and (k) above. Other than the aforesaid, none of the conditions precedent may be waived. If any of the conditions is not fulfilled (or as the case may be, waived) on or before 30 June 2026 (i.e. the Long Stop Date), or such later date as the parties to the Sale and Purchase Agreement may agree in writing, the Sale and Purchase Agreement shall (unless otherwise agreed in writing by the parties to the Sale and Purchase Agreement) be terminated, and all rights, obligations and liabilities of the parties thereto shall cease and determine and neither party shall have any claim against the other, save for any antecedent breaches of the Sale and Purchase Agreement.

### **Consideration for the Acquisition**

With respect to the Acquisition, the Consideration is in the amount of HK\$976,500,000. The Consideration of the Acquisition shall be satisfied by the allotment and issuance of the Consideration Shares at the Issue Price (i.e. HK\$3.15 per Share) under the Specific Mandate to be sought by the Company at the EGM.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the valuation of the market value of the entire issued share capital of the Target Group of HK\$978,000,000 as at the Valuation Reference Date as appraised by the Independent Valuer by way of discounted cash flow method under the income approach; (ii) the future prospects with respect to the businesses operated by the Target Group; (iii) the historical financial performance of the Target Group; and (iv) the reasons and benefits of the

Acquisition as stated under the paragraph headed “**REASONS FOR AND BENEFITS OF THE ACQUISITION**” in this circular.

*Consideration Shares and the Issue Price*

The Consideration Shares represent (i) approximately 38.08% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 27.58% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there will be no change in the issued share capital of the Company other than the allotment and issuance of Consideration Shares).

The Issue Price was arrived at after arm’s length negotiation between the Vendor and the Purchaser to the Sale and Purchase Agreement after taking into account the prevailing market price of the Shares, the financial performance of the Group and the general market sentiment. The Issue Price represents:

- (a) a premium of approximately 2,323% to the audited net asset value per Share as at 31 December 2024 of approximately HK\$0.13;
- (b) a premium of approximately 11.93% to the unaudited net asset value attributable to the Shareholders per Share as at 30 June 2025 of approximately HK\$2.81 based on (1) the Group’s unaudited net asset value of RMB3,054,883,000 attributable to the Shareholders as at 30 June 2025; (2) 1,190,278,327 Shares in issue assuming the Group’s mandatory convertible bonds have been converted into 376,175,227 Shares; and (3) the exchange rate of RMB0.91195 to HK\$1 quoted by the People’s Bank of China as at 30 June 2025;
- (c) a discount of approximately 1.25% to the reassessed net asset value attributable to the Shareholders per Share as at 30 June 2025 of approximately HK\$3.19, details of calculation of which is set out in the section headed “Property Interests and Reassessed Net Asset Value” in “Appendix I – Financial Information of the Group” in this circular;
- (d) a discount of 41.77% to the closing price of HK\$5.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (e) a discount of approximately 11.27% to the closing price of HK\$3.55 per Share as at the Latest Trading Day, being the trading date immediately prior to the date of the Sale and Purchase Agreement;
- (f) a discount of approximately 10.97% over the average of the closing price of HK\$3.54 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and

- (g) a discount of approximately 13.67% over the average of the closing price of HK\$3.65 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The aggregate nominal value of share capital for the Consideration Shares is HK\$31,000,000.

The Consideration Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue.

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

### ***Valuation of the Target Group***

In the Valuation prepared by the Independent Valuer, the three generally recognised valuation approaches, namely the cost approach, the market approach and the income approach, were understood to have been considered to conduct the Valuation, in order to select the most appropriate approach(es).

#### ***(A) Analysis on the Approaches***

The cost approach provides an indication of value based on the principle that the assets and liabilities as a whole represent the value of a company. It provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

The market approach is a valuation technique based on the principle of substitution. It provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. Third-party transactions in the equity of an enterprise generally represent the best estimate of market value if they are done at arm's length. Under the market approach, there are two primary methods as follows:

- (i) The first one is often referred to as the Comparable Transactions Method, involves determining valuation multiples from sales of enterprises with similar financial and operating characteristics and applying those multiples to the subject enterprise; and
- (ii) The second one is often referred to as the Guideline Public Company Method, involves identifying and selecting publicly-traded enterprises with financial and operating characteristics similar to the enterprise being valued, which, once identified, valuation multiples can be derived, adjusted for comparability, and then applied to the

subject enterprise to estimate the value of its equity or enterprise value. In applying the Guideline Public Company Method, different value measures or market multiples of the comparable companies are calculated and analysed to induce a series of multiples that are considered representative of the industry average.

The income approach provides an indication of value by converting future cash flow or economic benefits to a present value. Under the income approach, the value of an asset/the business entity is determined by reference to the value of income, cash flow or cost savings generated by the asset/the business entity. A fundamental basis for the income approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment.

In connection with the valuation methodology adopted, the valuation approach is determined based on professional judgment and technical expertise after detailed analysis on facts and circumstances. Key factors including, business nature and stage of development of the subject entity, the quantity and quality of the information provided to the Independent Valuer, supply of relevant market transactions, type and nature of the subject asset, etc. have been taken into account.

It is of the view that the cost approach has not been adopted because under such approach, the market value of equity interest is determined based on the replacement costs or reproduction costs of assets rather than the ability to generate streams of benefits in the future. Cost approach is best suited for tangible and commoditised assets such as land, buildings or plants, but not for intangible value drivers. However, the Target Group is principally engaged in AI Business with substantial growth potential. These future economic benefits cannot be captured by historical or replacement cost of the value of existing assets.

The market approach has not been adopted because there was neither any publicly available transaction of enterprises that were comparable in terms of the uniqueness of the Target Group's business model and its stage of development of AI Businesses observed, nor any closely comparable publicly traded entity with business development and operating characteristics similar to those of the Target Group suitable for the market approach could be identified as at the Valuation Reference Date.

As a result of the above and given the historical financial and operating data of the Target Group and the VIE Arrangement, it is agreed that the Target Group's intrinsic value can be better estimated based on forecasts of fundamental conditions in the future using the discounted cash flow analysis under the income approach, and the reliance on the discounted cash flow analysis under the income approach to derive the market value of the Target Group in the Valuation are in the interests of the Group and the Shareholders as a whole.

*(B) Adoption of Income Approach*

The discounted cash flow analysis under the income approach involves forecasting the appropriate cash flow stream over an appropriate period and then discounting it back to a present value at an appropriate discount rate. This discount rate should consider the time value of money, inflation, and the risk inherent in ownership of the asset or interest being valued.

Performing a discounted cash flow analysis requires the preparation and analysis of a reliable forecast of the expected future financial performance of the subject entity. Forecasting cash flow to all investors requires the projection of revenues, operating expenses, taxes, working capital requirements, and capital expenditures for a future period.

Projected cash flow to all investors must then be discounted to a present value using a discount rate, which appropriately accounts for the market cost of capital as well as the risk and nature of the subject cash flows.

*(C) Summary of Principal Assumptions*

Since the discounted cash flow method of the income approach was adopted in the Valuation Report, the Valuation constitutes profit forecasts under Rule 14.61 of the Listing Rules and Rule 10 of the Takeovers Code. The principal assumptions made by the Independent Valuer on the Valuation are set out as follows:

- (1) There will be no major changes in the existing political, legal, fiscal and economic conditions in which the Target Group carries on its business;
- (2) There will be no major changes in the current taxation law in the country where the Target Group operates, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;
- (3) There will be no material changes in the industry in which the Target Group involves that would materially affect the revenues, profits, cash flows attributable to the Target Group;
- (4) The Target Group has obtained the necessary consent, licenses and approvals for the normal course of operations, including but not limited to the business licences and such consent and approval necessary for the VIE Arrangement, and the same have not been revoked. As at the Valuation Reference Date, it is confirmed by the Company and Tian Yuan Law Firm, the PRC legal advisors to the Company, that the Target Group has obtained the necessary consent, licenses and approvals for the normal course of operations, and the same have not been revoked;
- (5) Exchange rates and interest rates will not differ materially from those presently prevailing;



- (6) The availability of finance at viable cost will not be a constraint on the forecasted growth of operations of the Target Group. In other words, it is assumed that obtaining necessary financing is readily available at a reasonable cost, and therefore, it will not be a limiting factor for the Target Group to execute its business plan. Based on the Management's representation, as at the Valuation Reference Date, RMB1,559 million debts of the Target Group have either secured or nearly closing;
- (7) The Target Group will successfully maintain its competitiveness and market share through optimizing the utilization of its resources and expanding its marketing network;
- (8) The Target Group can keep abreast of the latest development of the industry, such as trend of automation to reduce operating costs, such that its competitiveness and profitability can be sustained;
- (9) The Target Group will utilise and maintain its current operational, administrative and technical facilities to expand and increase its sales;
- (10) The Target Group will be able to secure funds to repay/renew its RMB1,559 million debts referred to in (6) above timely when they fall due;
- (11) The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations;
- (12) The Target Group will continue to operate as a going concern and the core operation of the Target Group will not differ materially from those of present or expected; and
- (13) The forecasting cash flow represents management's view of the range of economic conditions. The information and estimates provided and the representations made by management regarding the Target Group's financial and business affairs are reliable and without false representation.

*(D) Implications under the Listing Rules and the Takeovers Code with respect to Profit Forecast*

Prism Hong Kong Limited, being the reporting accountant of the Company, has reviewed and reported to the Directors in respect of the compilation of the discounted cash flows in connection with the valuation of the Independent Valuer. So far as the accounting policies and calculations are concerned, the profit forecast has been properly compiled in accordance with the assumptions adopted by the Board as set out in the Valuation Report.

The Independent Financial Adviser confirmed that (1) the Valuation, which constitutes a profit forecast under (i) Rule 14.61 of the Listing Rules and (ii) Rules 10 and 11.1(a) of the Takeovers Code, has been made after due care and consideration by the Directors; and (2) the Independent Valuer is suitably qualified and experienced to undertake the Valuation pursuant to Rule 11.1(b) of the Takeovers Code.

The full text of the letter issued by the Prism Hong Kong Limited in relation to the calculations of the discounted cash flows is set out in Appendix VI to this circular for the purpose under Rule 14.60A(2) of the Listing Rules and Rules 10 and 11 of the Takeovers Code and the letter from the Independent Financial Adviser in compliance with Rule 14.60A(3) of the Listing Rules and Rules 10 and 11 of the Takeovers Code is set out in Appendix VII to this circular.

### **Completion**

Completion for the Acquisition shall take place after all Conditions Precedent have been fulfilled (or waived, as the case may be), but no later than the Long Stop Date.

Immediately upon Completion, (i) the Target Company will become a direct wholly-owned subsidiary of the Company, accordingly the consolidated financial results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group; (ii) the Vendor will become a substantial shareholder of the Company; and (iii) the Company, by virtue of the VIE Agreements executed by, amongst others, the Target WFOE and the PRC Project Company can enjoy the economic benefits of the PRC Project Group.

### **Undertaking by the Vendor**

Upon receipt of such Consideration Shares on Completion, the Vendor undertakes with the Company that, unless with the written consent of the Company, the Vendor will not dispose of, transfer, create encumbrances over, or enter into any agreement on the disposal of, transfer or creation of encumbrances over any of the Consideration Shares within two years subsequent to the Completion.

### **INFORMATION OF THE COMPANY (THE PURCHASER) AND THE GROUP**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in the development, sales and operation of residential properties, commercial trade and logistics centres in the PRC.

Your attention is also drawn to Appendix I to this circular which contain further financial and general information of the Group.

In deciding how to vote at the EGM, the Independent Shareholders should consider the disclaimer of opinion issued by the independent auditors of the Group on the consolidated financial statements of the Group for the years ended 31 December 2022, 2023 and 2024. Please refer to Appendix I to this circular for further details.

## INFORMATION OF THE VENDOR

The Vendor under the Sale and Purchase Agreement is Champion Road Group Limited, an investment holding company established under the laws of British Virgin Islands with limited liability. The Vendor's ultimate beneficial owners are also the Registered Shareholders, and their respective shareholdings in the Vendor are as follows:

Name of Shareholders	Shareholding in the Vendor
Mr. Zhong Junhua (鍾軍華)	35.2%
Mr. Luo Jieping (羅介平)	18.0%
Mr. Huang Zhiwen (黃志文)	17.0%
Mr. Chen Keya (陳科涯)	10.4%
Mr. Cai Sanyan (蔡三艷)	10.4%
Mr. Zhou Baikui (周柏魁)	6.6%
Mr. Chen Zhizhong (陳志中)	2.4%

As at the Latest Practicable Date, given the reasons set out in the paragraph headed "Takeover Codes Implication" below, the Vendor is considered to be acting in concert with China GBA Holdings, a controlling Shareholder, and accordingly, the Vendor is not an Independent Third Party. Save and except for Mr. Luo Jieping, who is an executive Director, the other remaining shareholders of the Vendor are third parties independent of and not connected with the Company and its connected persons.

## INFORMATION ON THE TARGET COMPANY AND THE TARGET GROUP

The Target Company, Wisdom Knight Holdings Limited, is an investment holding company established under the laws of British Virgin Islands with limited liability.

### Information on the Target Group

The Target Group commenced its internet data center ("IDC") and internet access services ("ISP") businesses since 2016. Apart from the IDC and ISP businesses, the Target Group also commenced its AI Businesses since the second half of 2024. The Target Company directly and wholly-owns an investment holding company established under the laws of Hong Kong with limited liability as subsidiary which in turn holds the Target WFOE.

By virtue of the VIE Agreements, the operating subsidiaries in the PRC Project Group become controlled entities of the Target WFOE (and accordingly, that of the Target Company). The Registered Shareholders (i.e. the ultimate beneficial owners of the Vendor) together hold the

entire equity interests in the PRC Project Parent (an investment holding company established under the laws of the PRC with limited liability), and through the PRC Project Intermediary (an investment holding company established under the laws of the PRC with limited liability), it holds the PRC Project Company, which in turn holds the operating subsidiaries in the PRC Project Group.

The key personnel operating the PRC Project Company and its Operating Subsidiaries is the founder of the Target Group, Mr. Zhong Junhua. Save for the operation of the PRC Project Company and its Operating Subsidiaries, the Group does not have the plan to transfer Mr. Zhong Junhua to the Group following the Completion.

As a whole, the Target Group is a full-ecosystem service provider for “Green Energy Artificial Intelligence Computing”, and is principally engaged in the AI Businesses in the PRC, comprising (i) the provision of AI computing power technical services and the relevant operation and maintenance services; (ii) the construction and development of the AIDC; (iii) the operation of the AIDC; (iv) research and development of AI technology and the provision of comprehensive AI computing power scheduling platform; and (v) the provision of comprehensive and one-stop integrated AI solutions for customers.

***(i) Provision of AI computing power technical services and Relevant Operation and Maintenance Services***

The three core elements of AI are computing power, algorithms, and data. The Target Group generates AI computing power by conducting a series of technical treatments on high-performance servers, such as reconfiguration, optimization, and networking. This provides AI computing power support for large-scale parallel computing in the AI field, specifically for the training and inference of large models.

In addition to the provision of AI computing power technical services, the Target Group also offers operation and maintenance services, ensuring that the AI computing infrastructure remains efficient, reliable, and up-to-date. This includes routine monitoring of server performance, troubleshooting issues, and implementing necessary upgrades or adjustments to maintain optimal operations. Together, these components create a comprehensive ecosystem that not only delivers high-quality AI computing power but also ensures seamless and continuous service for clients engaged in AI-driven initiatives.

***(ii) Construction and Development of AIDC***

An AIDC is a facility that houses the specific IT infrastructure needed to train, deploy and deliver AI applications and services. It has advanced compute, network and storage architectures and energy and cooling capabilities to handle AI workloads.

To compare with AIDCs, traditional IDCs feature cabinets with relatively lower power capacity (typically 4–6 KW per cabinet). These cabinets primarily house storage servers or general-purpose computing servers, which are mainly used for database management or providing general computing services. In contrast, AIDCs are specifically designed to deliver high-performance computing infrastructure for AI applications. AIDC cabinets support

significantly higher power capacity (typically 10–100 kW per cabinet) and are equipped with high-performance servers. After undergoing technical reconfiguration, optimization and networking services, these high-performance servers can provide the computing power needed for the training and inference of large AI models.

The Target Group constructs and develops AIDC for both sales and rental purposes.

***(iii) Operation of AIDC***

The Target Group operates AIDC by leasing cabinets, managing and maintaining the infrastructure in AIDC to ensure system health, managing power and cooling resources, performing regular maintenance and check-ups, and ensuring security protocols are in place, etc.

***(iv) Research and Development of AI Technology and Provision of Comprehensive AI Computing Power Scheduling Platform***

Research and development of AI technology involves exploring innovative algorithms, data processing techniques and machine learning models to enhance AI capabilities. This work includes conducting experiments, analysing data, and refining models to improve performance and efficiency, as well as integrating AI solutions across various industries.

AI computing power scheduling platform enables unified management and efficient scheduling of diverse computing resources, creating a pooled resource system for large-scale heterogeneous computing power with full-network dispatch capabilities. Leveraging its competitive advantages in computing power supply, the platform reduces both the acquisition and operational costs of computing resources while supporting resource integration and operations management for computing power channel partners, thereby achieving mutually beneficial collaboration. The platform offers a suite of services, including computing power leasing, an all-in-one AI collaborative development platform, and a model/image repository community. These solutions solve critical industry challenges such as high barriers to computing power access, inconsistent multi-cloud environment experiences, and difficulties in ensuring data security, ultimately promoting the widespread adoption of high-quality computing resources.

***(v) Provision of Comprehensive and One-stop Integrated AI Solutions for Customers***

The Target Group provides customers with full-stack integrated AI solution services encompassing provision of AIDC cabinets, servers, technical networking, server operation and maintenance and intelligent applications.

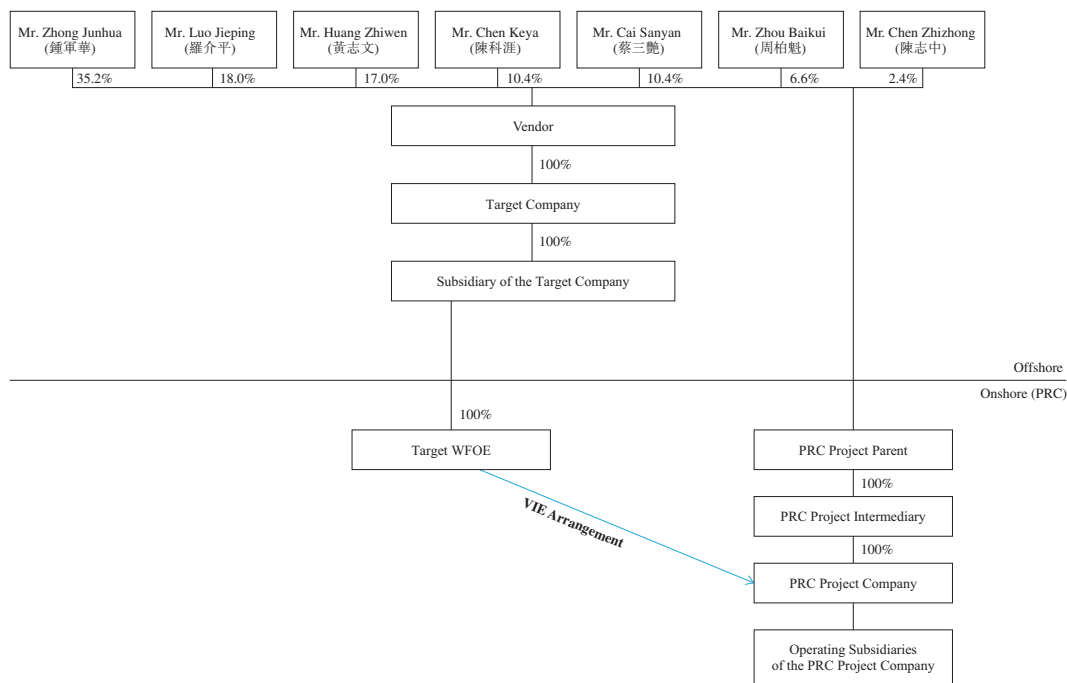
Set out below is the consolidated financial information of the Target Group for the three years ended 31 December 2024 and the three-month period ended 31 March 2025 respectively:

	<b>For the three months ended 31 March 2025 (RMB'000) (audited)</b>	<b>For the year ended 31 December 2024 (RMB'000) (audited)</b>	<b>For the year ended 31 December 2023 (RMB'000) (audited)</b>	<b>For the year ended 31 December 2022 (RMB'000) (audited)</b>
Revenue	174,441	236,640	61,633	50,872
Profit/(loss) before tax	28,095	(1,262)	(57,545)	(78,164)
Profit/(loss) after tax	23,361	(894)	(56,695)	(78,026)

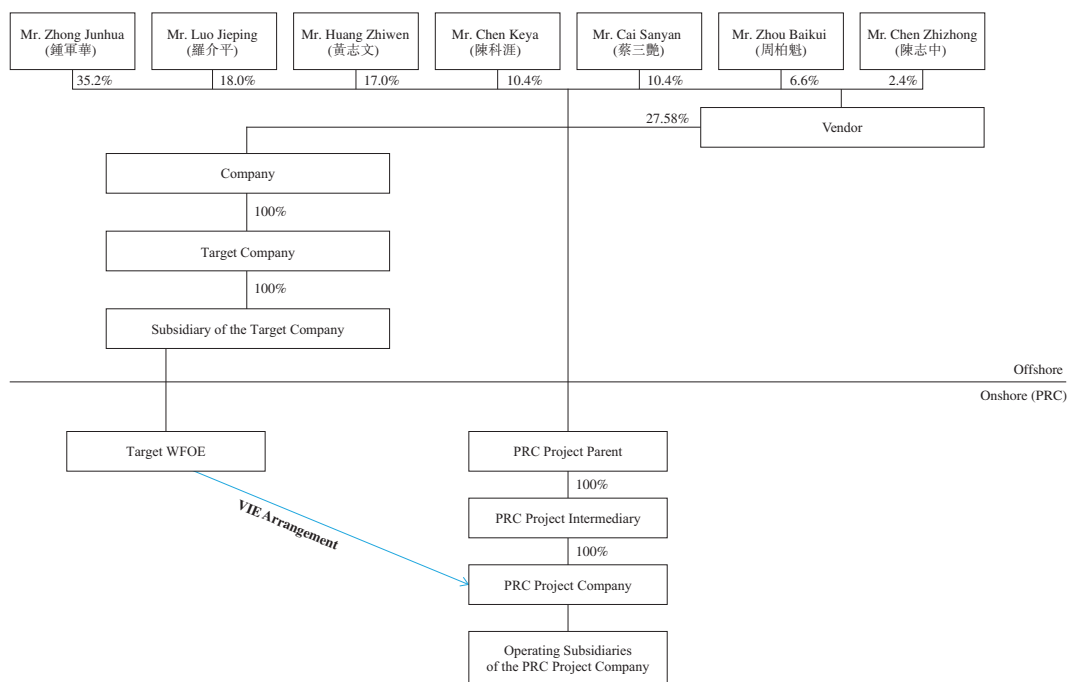
*Note:* The significant increase in profit of the Target Group, from net loss between the years ended 31 December 2022 to 2024, to net profit of the three months ended 31 March 2025 was primarily attributable to (i) the decrease in impairment losses on construction in process for the Target Group from RMB44.6 million in the year ended 31 December 2022 to RMB22.8 million in the year ended 31 December 2023 and RMB12.9 million in the year ended 31 December 2024; and (ii) the significant increase in revenue from the year ended 31 December 2022 to the year ended 31 December 2024, and as for three months ended 31 March 2025, the revenue recorded has already achieved RMB174.4 million (approximately 73.71% of that of the year ended 31 December 2024). For details, please refer to the section headed “Financial Review” in “Appendix III – Management Discussion and Analysis of the Target Group” in this circular.

Based on the audited consolidated financial statements of the Target Group for the three months ended 31 March 2025, the audited consolidated net assets of the Target Group was approximately RMB178.2 million (equivalent to approximately HK\$192.5 million) as at 31 March 2025.

## Shareholding structure of the Target Group immediately prior to completion of the Acquisition



## Shareholding structure of the Group and the Target Group immediately upon completion of the Acquisition



## REASON FOR ENTERING INTO THE VIE AGREEMENTS

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024)\* (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**2024 Negative List**”) and the Catalogue of Industries for Encouraging Foreign Investment (2022 Version)\* (《鼓勵外商投資產業目錄(2022年版)》), which were promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. The 2024 Negative List and the Encouraging Catalogue divide industries into “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories).

Pursuant to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) promulgated by the State Council of PRC on 25 September 2000 and last amended on 6 February 2016, and the Catalogue of Telecommunications Business (2015 Version) (《電信業務分類目錄(2015年版)》), the principally engaged businesses of the PRC Project Group involve IDC services and ISP services, which fall within the scope of “value-added telecommunication service”, the operations of such businesses require a value-added telecommunication business license for IDC and ISP businesses (which has been duly obtained). As advised by Tian Yuan Law Firm, the legal adviser to the Company as to the PRC laws, according to the 2024 Negative List, foreign investors are only allowed to invest into certain types of value-added telecommunications services that have been opened up to foreign investment pursuant to China’s commitments to the WTO. However, IDC and ISP businesses have not been included in the scope of China’s foregoing commitments to the WTO to date.

Pursuant to (i) the Mainland and Hong Kong Closer Economic Partnership Arrangement (《內地與香港關於建立更緊密經貿關係的安排》) and Mainland and Macao Closer Economic Partnership Arrangement (《內地與澳門關於建立更緊密經貿關係的安排》) as promulgated by the MOFCOM in 2003; (ii) the Agreement on Trade in Services under the Mainland and Hong Kong Closer Economic Partnership Arrangement (《〈內地與香港關於建立更緊密經貿關係的安排〉服務貿易協議》) and the Agreement on Trade in Services under the Mainland and Macao Closer Economic Partnership Arrangement (《〈內地與澳門關於建立更緊密經貿關係的安排〉服務貿易協議》) as promulgated by the MOFCOM in 2015 and amended in November, 2019; and (iii) the Circular of the MIIT on Issues concerning the Provision of Telecommunications Services by Hong Kong and Macao Service Providers in the Mainland (《工業和信息化部關於港澳服務提供者在內地開展電信業務有關問題的通告》) which was promulgated by the MIIT and took effect on 30 June 2016 (together with the foregoing arrangements, the “**CEPA Rules**”), Hong Kong and Macau service providers which satisfy the qualification requirements under the CEPA Rules are allowed to establish sino foreign equity joint ventures in Mainland China to operate IDC and ISP businesses and such qualified Hong Kong and Macau service providers (as foreign investors, “**Qualified CEPA Service Providers**”) may acquire up to 50% of the equity interests of such joint ventures.

The subsidiaries of the Target Company incorporated in Hong Kong do not meet all the requirements of Qualified CEPA Service Providers under the CEPA Rules and do not possess the actual experience needed for applying as Qualified CEPA Service Providers from the Hong Kong



Trade and Industry Department, which is the pre-requisite for enjoying preferential treatment under CEPA Rules. The PRC Project Company is therefore not qualified under the CEPA Rules exemption for 50% equity interest in value-added telecommunication services. As aforementioned, since foreign investment in certain areas of the industry in which the PRC Project Group currently operates are subject to foreign investment prohibition under current PRC laws and regulations, the Target Company determined that it was not viable for the Target WFOE to hold the PRC Project Company directly or indirectly through equity ownership. Instead, the Target Company decided that, in line with the common practice in industries of the PRC subject to foreign investment prohibition, the Target Company would hold the interest and gain effective control over the PRC Project Company through the Target WFOE under the VIE Arrangements.

Pursuant to the Announcement of the MIIT on Launching the Pilot Program of Expanding the Opening-Up of Value-Added Telecommunications Services (《工業和信息化部關於開展增值電信業務擴大對外開放試點工作的通告》) (the “**Pilot Announcement**”) promulgated by the MIIT on 8 April 2024, the pilot program shall be launched first in the Beijing Comprehensive Demonstration Zone for Further Opening-up of the Service Sector, the Lin-Gang Special Area of China (Shanghai) Pilot Free Trade Zone and the Leading Area in Socialist Modernization, the Hainan Free Trade Port, and the Shenzhen Leading Demonstration Zone of Socialism with Chinese Characteristics (the “**Pilot Areas**”). In the Pilot Areas, restrictions on the percentage of shareholding of foreign investors shall be removed for IDC, CDN, ISP, online data processing and transaction processing, as well as information release platforms and delivery services (excluding internet news information, online publishing, internet audio-visual services, and internet cultural operations) in information services, information protection and processing service business (the “**Pilot Businesses**”). On 23 October 2024, the MIIT organized a symposium on the pilot program of expanding the opening-up of value added telecommunications services, and officially launched the pilot program of expanding the opening up of value-added telecommunications services in Beijing, Shanghai, Hainan and Shenzhen.

Pursuant to the Pilot Program for the Expansion of Opening-up in Value-added Telecommunications Business (《增值電信業務擴大對外開放試點方案》) (the “**Pilot Program**”) under the Pilot Announcement, (i) the registered location of the pilot business operator and the placement of service facilities (including leased and purchased facilities) must be within the same pilot area; (ii) the service scope of the ISP business is restricted to the pilot area, and the provision of internet access services to users must be through the internet access facilities of basic telecommunications enterprises.

Tian Yuan Law Firm, the legal adviser to the Company as to the PRC laws conducted a phone inquiry with the MIIT through its service hotline on 6 June 2025, and the relevant MIIT officials confirmed that (i) policies related to the Pilot Announcement are subject to the responses of the local communication administration; (ii) under the CEPA Rules, if the main foreign investor is from Hong Kong or Macau, and the enterprise intends to apply for services not yet committed to by the WTO under CEPA Rules, or to exceed the equity proportion stipulated by China’s commitments to the WTO, it is required to submit the Hong Kong and

Macau Service Provider Certificate (《港澳服務提供者證明書》) as required. If the Hong Kong and Macau Service Provider Certificate cannot be provided, the relevant application will not be allowed.

The legal adviser to the Company as to the PRC laws also conducted an interview with Shenzhen Communications Administration (深圳市通信管理局) on 6 June 2025, during which the relevant officer of Shenzhen Communications Administration confirmed that (i) in the current practice of applying for the approval of a value-added telecommunication business license under the Pilot Program, where the foreign equity proportion restrictions have been lifted, it is strictly required that the registered location of the pilot business operator and the placement of service facilities (including leased and purchased facilities) must be within the same pilot area, and the ISP services are limited to the Pilot Areas. If an enterprise does not meet these conditions, it cannot apply for a value-added telecommunication business license under the Pilot Program; (ii) if the main foreign investor is from Hong Kong or Macau, and the enterprise intends to apply for services not yet committed to by the WTO under CEPA Rules or to exceed the equity proportion stipulated by the China's commitments to the WTO, the current review practice still requires the submission of the Hong Kong and Macau Service Provider Certificate; and (iii) the VIE agreements do not conflict with existing policies and regulations.

As advised by the legal adviser to the Company as to the PRC laws, the MIIT is the competent authority for deciding whether to issue IDC and ISP Value-Added Telecommunication Business Licenses to foreign-invested enterprises; and the Shenzhen Communication Administration is the competent authority for handling the matters raised in the above inquiries. Both the MIIT and the Shenzhen Communication Administration have the authority to make the above responses.

While some entities of the Target Group engaged in the Pilot Businesses (IDC and ISP businesses) are located in Shenzhen, one of the pilot areas, the data centres for their IDC business are not only in the registered locations but also in other areas. Given the current business operations of the Target Group, it is impracticable to ensure that the registered locations and the placement of service facilities (including leased and purchased facilities) stay within the same pilot area. In addition, the service scope of their ISP business covers many cities beyond the pilot areas. Therefore, no entity of the Target Group meets the Pilot Announcement's exemption for foreign equity ratio restrictions on IDC and ISP businesses.

In light of the above, the Target WFOE and the PRC Project Company have, amongst others, entered into the VIE Agreements in order to comply with the applicable and relevant PRC laws and regulations, and enable the financial results and the entire economic benefits derived from the operations of the PRC Project Group's businesses to flow into the Target WFOE and to enable the Target Company to have indirect control over the PRC Project Company.

Moreover, among the VIE Agreements, the Irrevocable Exclusive Call Option Agreement has been entered into, detailing the unwinding of the VIE Arrangement as soon as the relevant PRC laws and regulations allow without adoption of the VIE Arrangement. Under the

Irrevocable Exclusive Call Option Agreement, the PRC Project Intermediary must transfer to the Target WFOE or its nominee the equity interest in the PRC Project Company for (a) nominal consideration; or (b) such consideration be determined by Target WFOE for purchasing the entire equity interest in the PRC Project Company by the Target WFOE, subject to the conditions of legality, permission and consent granted by the local regulations or government departments of the PRC.

The Directors have sought the advice from the legal adviser to the Company as to the PRC laws to confirm, among others, (i) the utilisation of the VIE Arrangement and the VIE Agreements does not constitute a breach of the applicable PRC laws and regulations and the articles of association of the Target WFOE; (ii) none of the agreements under the VIE Agreements would be deemed invalid or ineffective under the Civil Code of the PRC (《中華人民共和國民法典》) and are not deemed as “concealing illegal intentions with a lawful form” resulting in the invalidity of these agreements; and (iii) save for the clause providing that the arbitration tribunal may award injunctive relief or winding up orders and that the courts in Hong Kong, the Cayman Islands and the PRC may grant temporary injunctive relief or other temporary remedies, which may not be enforceable under PRC law, the VIE Agreements are enforceable under the laws of the PRC, so as to confirm that the VIE Agreements conferring significant control and economic benefits from the PRC Project Company to the Target Company would be enforceable under the relevant laws and regulations, and that the VIE Agreements will provide a mechanism that enables the Target WFOE to exercise effective control over the PRC Project Company.

As at the date of the Latest Practicable Date, the PRC Project Group has not encountered any interference or encumbrance from any governing bodies in operating its business. It is not aware of any interference or encumbrance by any governing bodies in operating the business of the PRC Project Group that may be encountered from the Acquisition or under the VIE Agreements.

## **INFORMATION OF THE VIE AGREEMENTS**

The VIE Agreements comprises a series of agreements respectively executed and taken effect on 29 November 2024, 3 June 2025 and 30 June 2025, among other things, the Exclusive Business Collaboration Agreement, the Irrevocable Exclusive Call Option Agreement, the Equity Pledge Agreement, the EIH Voting Right Delegation Agreement and the Power of Attorney, for the purpose of establishing the VIE Arrangement between, amongst others, (a) the Target WFOE, on the one hand; and (b) the PRC Project Company, on the other hand.

A summary of the VIE Agreements is as follows:

### **(I) Exclusive Business Collaboration Agreement**

- Parties:
- (i) The Target WFOE; and
  - (ii) The PRC Project Company

Subject Matter – Details of  
Strategic Collaboration:

The PRC Project Company agrees to engage the Target WFOE as its exclusive service provider to provide the PRC Project Company with comprehensive business support, technical services and consulting services relating to the business of the PRC Project Company, including but not limited to, technical services, technical consultation, business consultation, intellectual property licensing, equipment and leasing, marketing consultation, products research and development, system maintenance, and the provision of management consulting services related to the business operation of the PRC Project Company, and in the circumstances permitted by the applicable and relevant PRC laws and regulations, the provision at times of any other consultation and services related to the foregoing as requested by the PRC Project Company.

Unless with the prior written consent of the Target WFOE, the PRC Project Company shall not accept any consultation and/or services from any third party, and shall not cooperate with any third party. However, the Target WFOE may designate any third party to accept any consultation and/or services to the PRC Project Company.

Fees:

In consideration of the services provided by the Target WFOE, the PRC Project Company shall pay the Target WFOE such service fees equivalent to 100% of the net income (i.e. the net profit after tax) of the PRC Project Company. Such service fee shall be payable annually.

The Target WFOE shall have the right to:

- (a) consent to any expense deductible from the service fees payable; and
- (b) adjust the aforementioned service fee at its sole discretion without the consent of the PRC Project Company in accordance with the following factors:
  - 1. the technical complexity of the provided services;
  - 2. the time consumed for the provided services on development of software and consultancy;
  - 3. the content and value for the provided services on development of software and consultancy; and
  - 4. market value of similar services.

Within ninety (90) days after the end of each financial year, the PRC Project Company shall (a) deliver its audited financial statements to the Target WFOE, and (b) pay an amount to the Target WFOE equivalent to the shortfall, if any, of the net income of the PRC Project Company for such financial year presented on the aforesaid audited financial statements as compared to the annual service fee payment made to the PRC Project Company to the Target WFOE in such financial year.

Terms and Termination:

The Exclusive Business Collaboration Agreement shall become effective commencing from its execution date. The Exclusive Business Collaboration Agreement may be terminated under the following circumstances:

- (a) on the date that the PRC Project Company goes liquidated, terminated or dissolved according to relevant laws within the validity period of the Exclusive Business Collaboration Agreement;
- (b) on such date that all the shares and assets of the PRC Project Company have been transferred to the Target WFOE or its designated party in accordance with the Irrevocable Exclusive Call Option Agreement
- (c) on such date when it is legally permissible under the applicable and relevant PRC laws and regulations for the direct holding of the PRC Project Company and the Target WFOE is duly registered as the PRC Project Company's sole equity owner;
- (d) the Target WFOE terminates the Exclusive Business Collaboration Agreement by giving a prior written notice to the PRC Project Company 30 days in advance at any time during the valid period of the Exclusive Business Collaboration Agreement, on the date when the period of this written notice expires; and
- (e) in case of breach of the provision(s) under the Exclusive Business Collaboration Agreement by the PRC Project Company, including failure to perform its obligations, the Target WFOE has the sole right to terminate the Exclusive Business Collaboration Agreement.

The PRC Project Company has no right to terminate the Exclusive Business Collaboration Agreement unilaterally.

## **(II) Irrevocable Exclusive Call Option Agreement**

Parties:

- (i) The Target WFOE;
- (ii) The PRC Project Company; and
- (iii) The PRC Project Intermediary.

Subject Matter – Call Option:

The PRC Project Intermediary irrevocably and unconditionally grants to the Target WFOE or any person(s) designated by the Target WFOE, the Call Option, being such exclusive option to acquire (at any time, in one or more times), to the extent permitted under the applicable and relevant PRC laws and regulations, all or part of the equity interest and assets in PRC Project Company indirectly and wholly-owned by the PRC Project Intermediary. Other than the Target WFOE and such designated person(s) by the Target WFOE, no third party shall be entitled to the Call Option or any rights related to the shares in the PRC Project Company and the assets of the PRC Project Company.

Consideration:

The consideration for the exercise of the Call Option shall be in nominal amount, unless another price is required by the applicable and relevant PRC laws and regulations, in which case, the Call Option shall be exercised in the legally minimum amount as consideration.

Restrictive Covenants:

The PRC Project Company and the PRC Project Intermediary shall covenant to the Target WFOE, amongst other things, that:

- (i) without the prior written consent of the Target WFOE, they shall not in any manner supplement or amend the articles of association of the PRC Project Company to the extent that it may cause any material changes to the assets, liabilities, operations, shareholders' interests or other legal interests of the PRC Project Company;
- (ii) without the prior written consent of the Target WFOE, they shall not declare or distribute dividends, or sell, transfer, mortgage, dispose of by way of gift or dispose of in any other manner assets and/or businesses (in the value of RMB500,000.00 or above) in the PRC Project Company or create any security interest encumbrances in such assets and/or businesses;
- (iii) without the prior written consent of the Target WFOE, the PRC Project Company shall not enter into any transaction which will cause the PRC Project Company to bear liability or indebtedness of any manner (except in the ordinary course of business), nor shall it lend, provide financial assistance in the form of security or guarantee, or permit encumbrance in any form to be registered upon its assets;
- (iv) without the prior written consent of the Target WFOE, the PRC Project Company shall not enter into any transaction (except in the ordinary course of business) that may cause any material changes to its assets, liabilities, operations, shareholders' interests or other legal interests; and



- (v) without the prior written consent of the Target WFOE, the PRC Project Company shall not be permitted to conduct any acquisition, merger, amalgamation, or invest in any third party.

Term:

The Irrevocable Exclusive Call Option Agreement takes effect from the date of its execution and the exercise period of the Call Option under the Irrevocable Exclusive Call Option Agreement shall remain in effect indefinitely in accordance with the applicable and relevant PRC laws and regulations and/or until the Target WFOE having exercised such Call Option.

Notwithstanding the foregoing, the Target WFOE shall have the right to terminate the Irrevocable Exclusive Call Option Agreement and claim damages where the PRC Project Company or the PRC Project Intermediary has violated any term and condition under the Irrevocable Exclusive Call Option Agreement and failed to cure the breach within any reasonable time granted. Unless otherwise mandatorily provided by PRC Laws, the PRC Project Company and the PRC Project Intermediary have no right to terminate the Irrevocable Exclusive Call Option Agreement unilaterally.

### **(III) Equity Pledge Agreement**

Parties:

- (i) The Target WFOE;
- (ii) The PRC Project Company; and
- (iii) The PRC Project Intermediary.

Subject Matter – Terms of Pledge: The PRC Project Intermediary irrevocably and unconditionally causes the entire equity interest in the PRC Project Company to be pledged to the Target WFOE as collateral for (i) the performance of all the contractual obligations of the PRC Project Company and the PRC Project Intermediary under the VIE Agreements; and (ii) timely and full repayment of the secured indebtedness due by the PRC Project Company and the PRC Project Intermediary under the VIE Agreements. The PRC Project Company consents to such pledge stated above under the Equity Pledge Agreement.

The PRC Project Intermediary undertakes to the Target WFOE, among others, that except for the performance of the Irrevocable Exclusive Call Option Agreement, without the prior written consent of the Target WFOE, the PRC Project Intermediary shall not, or allow others to, transfer all or any part of the shares, create or allow any security interest or other encumbrance that may affect the rights and interests of the Target WFOE in the equity interest in the PRC Project Company.

Enforcement: The failure of performance of any contractual obligations of the PRC Project Intermediary and/or the PRC Project Company under the VIE Agreements will result in the right of the Target WFOE to enforce its rights under the Equity Pledge Agreement.

Term: The Equity Pledge Agreement takes effect from the date of its execution and the equity pledge thereunder takes effect from the I&C Registration Date and the term shall end upon:

- (i) all contractual obligations pursuant to the VIE Agreements have been fulfilled and discharged;
- (ii) the exercise of the Call Option by the Target WFOE pursuant to the Irrevocable Exclusive Call Option Agreement;
- (iii) the Target WFOE exercising its sole discretion to demand the termination of the Equity Pledge Agreement; or
- (iv) it is terminated in accordance with the applicable and relevant PRC laws and regulations.

#### **(IV) EIH Voting Right Delegation Agreement**

Parties: (i) The Target WFOE;

(ii) The PRC Project Company; and

(iii) The PRC Project Intermediary.

Subject Matter – Delegation: The PRC Project Intermediary irrevocably agree to delegate the Target WFOE and/or its nominees (including the directors and their respective successors, and any liquidators replacing them, but excluding the PRC Project Intermediary and any person who has a conflict of interest with the Target WFOE) their voting rights as shareholders in the PRC Project Company, including without limitation:

- (i) as the agent of the PRC Project Intermediary, to convene and attend the shareholders' meetings of the PRC Project Company in accordance with its articles of association;

- (ii) to exercise all voting rights on behalf of the PRC Project Intermediary on all matters and resolutions discussed or resolved, or to be discussed or resolved, in shareholders' meetings of the PRC Project Company;
- (iii) to make and sign, and submit to relevant governmental authorities (including registration authorities) shareholder's resolutions and minutes of shareholders' meetings of the PRC Project Company on behalf of the PRC Project Intermediary; and
- (iv) to exercise all shareholder's rights the PRC Project Intermediary are entitled to under the PRC laws and the articles of association of the PRC Project Company.

Term:

The EIH Voting Right Delegation Agreement remains in effect until:

- (i) the Target WFOE acquires (or becomes entitled under PRC law to acquire) ownership in the entire equity interest or all assets of the PRC Project Company;
- (ii) the Target WFOE unilaterally terminates the EIH Voting Right Delegation Agreement; or
- (iii) the EIH Voting Right Delegation Agreement is statutorily terminated under the applicable and relevant PRC laws and regulations.

## **(V) Power of Attorney**

Parties:

The PRC Project Intermediary (executed in favour of the Target WFOE).

Subject Matter – Appointment:

The Power of Attorney would be executed by the PRC Project Intermediary to irrevocably appoint the Target WFOE as their exclusive attorney and authorised person to exercise all of its rights as an equity interest holder of the PRC Project Company, including without limitation:

- (i) as the agent of the PRC Project Intermediary, to convene and attend the shareholders' meetings of the PRC Project Company in accordance with its articles of association;
- (ii) to exercise all voting rights on behalf of the PRC Project Intermediary on all matters and resolutions discussed or resolved, or to be discussed or resolved, in shareholders' meetings of the PRC Project Company;
- (iii) to make and sign, and submit to relevant governmental authorities (including registration authorities) shareholder's resolutions and minutes of shareholders' meetings of the PRC Project Company on behalf of the PRC Project Intermediary; and
- (iv) to exercise all shareholder's rights the PRC Project Intermediary are entitled to under the PRC laws and the articles of association of the PRC Project Company.

Term:

The Power of Attorney is effective upon execution and remains in effect until the date of termination of the EIH Voting Right Delegation Agreement.

**Protection of the Company's interests (through the Target WFOE) in the PRC Project Company**

Each of the Irrevocable Exclusive Call Option Agreement, the Equity Pledge Agreement, the EIH Voting Right Delegation Agreement has included a provision that each agreement is binding on the successors and permitted assignees of the respective parties. In the event of death, bankruptcy, divorce, insolvency (including but not limited to being

prosecuted), dissolution or deregistration of any party of the PRC Project Intermediary, the Target WFOE may exercise its option under the Irrevocable Exclusive Call Option Agreement, thus protecting the interest of the Group and allowing the Target WFOE to enforce its rights under the VIE Agreements against the successors and permitted assignees of the equity interest holders of the PRC Project Company.

In order to have effective control over and to safeguard the assets of the PRC Project Company, the Irrevocable Exclusive Call Option Agreement and Equity Pledge Agreement has provided that, without the prior written consent of the Target WFOE, the PRC Project Company shall not, in any form, dispose of significant assets (including but not limited to any significant customer resources, fixed assets, trademarks, technical knowhow or other intellectual property rights and/or other equity interests or similar interests held by the PRC Project Company), operating rights and/or dispose of all or part of its business (including sale, replacement, mortgage or disposal in any other ways), with respect to it and/or its subsidiaries (if any).

In both the Irrevocable Exclusive Call Option Agreement and Equity Pledge Agreement, there are provisions stating that, without the prior written consent of the Target WFOE, (i) the PRC Project Company shall not increase or decrease the registered capital or accept any investment or capital increase from any third parties to the PRC Project Company or change the form of the company or make any major adjustments regarding carrying out liquidation or dissolution; or the business scope, mode, profit model, marketing strategy, business policy or customer relationship; (ii) the PRC Project Company and/or its subsidiaries shall not enter into any partnership or joint venture or profit sharing arrangement with any third parties, or any other arrangements for the transfer of benefits or profit sharing in the form of royalties, service fees or consultancy fees; and (iii) the PRC Project Company shall not declare or distribute dividends or any other interests to its equity interest holders, including the after-tax profits that the PRC Project Company has not yet allocated before the commencement of the VIE Agreements.

#### **Confer of control from the PRC Project Company to the Target WFOE**

The VIE Agreements shall confer upon the Group sufficient control over the board and daily operations of the PRC Project Company. The appointment of directors of the PRC Project Company is subject to the Target WFOE being satisfied of the director's qualification and requires the explicit consent of the Target WFOE. If the Target WFOE is dissatisfied with the performance of the director(s) of the PRC Project Company and proposes to remove such director(s), the PRC Project Company shall remove such person(s) as director(s) upon the Target WFOE's proposal. Also, the PRC Project Company shall agree with the Target WFOE that the PRC Project Company will, and its shareholders will cause the PRC Project Company to, accept proposals put forward by the Target WFOE relating to the daily operations of the PRC Project Company and employment of staff, operate all business of the PRC Project Company in the ordinary course of business and refrain from any action or omission that may adversely affect the business of the PRC Project Company.

Moreover, under the Exclusive Business Collaboration Agreement, the Target WFOE will formulate rules, regulations, internal control policies, risk control management systems, standards administration, accounting, budget, marketing, human resources and operating policies, as well as the practices which relevant to or affecting the business of the PRC Project Company, and assist the PRC Project Company in the effective implementation of relevant policies and practices.

Furthermore, for general housekeeping purpose, the Target WFOE will have the custody of the constitutional items of the PRC Project Company and all its subsidiaries, including the company chop and seal. At the request of the Target WFOE, the PRC Project Company will provide the Target WFOE with the relevant legal documents and other information on the PRC Project Company's business operation.

Last but not least, pursuant to the EIH Voting Right Delegation Agreement, the PRC Project Intermediary (as the sole equity interest owner of the PRC Project Company) shall irrevocably grant to the Target WFOE all its voting rights in the PRC Project Company. Therefore, it is highly unlikely that there will be potential conflict of interests between the Group and the PRC Project Intermediary.

Considering that Mr. Luo Jieping, the chairman and executive Director, is one of the Registered Shareholders, Mr. Luo Jieping undertakes that, during the period that the VIE Arrangements remain effective, he shall not take or omit to take any action which may lead to a conflict of interest with the Group or the Target Group. For the avoidance of doubt, any actions in relation to the VIE Arrangements will be decided by officers or directors of the Group other than Mr. Luo Jieping.

### **Dispute Resolutions in connection with the PRC Project Company**

The VIE Agreements are governed by and construed in accordance with the PRC laws. Each of the VIE Agreements contains a dispute resolution clause to the effect that, amongst others, any dispute arising from the VIE Agreements between the parties should first be resolved through negotiation. In the event that the dispute cannot be resolved within 30 days through negotiation, any party may submit the said dispute to Shenzhen Court of International Arbitration for arbitration in accordance with the then prevailing arbitration rules. The arbitration shall be conducted in Shenzhen and the language used in the arbitration shall be Chinese. The decision of the arbitration shall be final, conclusive and binding on the parties.

Moreover, the VIE Agreements provide that the arbitration tribunal may award remedies over the equity interests or assets of the PRC Project Company or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the PRC Project Company. The VIE Agreements also include a clause in relation to dispute resolution among the parties where, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, Cayman

Islands, the PRC and the location where the principal assets of the Company and the PRC Project Company are located.

**The VIE Arrangement is narrowly tailored to achieve the business purpose of the Target Group**

The Target Group is principally engaged in AI Businesses, comprising (i) the provision of AI computing power technical services and the relevant operation and maintenance services; (ii) the construction and development of AIDC; (iii) the operation of AIDC; (iv) research and development of AI technology and the provision of comprehensive AI computing power scheduling platform; and (v) the provision of comprehensive and one-stop integrated AI solutions for its customers.

As advised by Tian Yuan Law Firm, the legal adviser to the Company as to the PRC laws, services (i) to (iii) above (collectively, the “**Restricted Business**”) is regarded as the “IDC business” within the scope of “value-added telecommunication service” under the Telecommunications Regulations of the PRC (中華人民共和國電信條例) and Telecommunication Business Catalog (電信業務分類目錄). The operation of such Restricted Business would require the VAT Licence which is subject to foreign ownership restrictions.

While services (iv) and (v) above (collectively, the “**Non-restricted Business**”) are regarded as “AI-related business” and such business is not subject to strict foreign investment restrictions itself, due to the fact that the AI-related business of Target Group has been highly integrated and correlated with and powered by the Restricted Business, such Non-restricted Business is inseparable and inherently interconnected with the Restricted Business for the reasons below:

- (1) The research and development of AI technology provided by Target Group requires the utilization of the internet environment and storage resources offered by the IDC. The AI computing power scheduling platform is based on the AI research results, integrating multiple data centers, and allocating computing power, storage, and other resources to users via the internet.
- (2) The one-stop integrated AI solutions business integrates multiple services such as provision of AIDC cabinets, servers, technical networking, server operation and maintenance and intelligent applications.

To conclude, the Non-restricted Business is based on the support provided by the Target Group’s data center infrastructure, which offers facilities and resources for the research and development, use, and integration of AI. Therefore, the Non-restricted Business is closely related to the Restricted Business. Separating the Restricted Business and the Non-restricted Business is neither feasible nor practical. If the Non-restricted Business is deliberately separated and operated by different entities, it will reduce the



efficiency and economic benefits of these services, fundamentally undermine the operation and offering of the Non-restricted Business.

Moreover, the contribution of the Non-restricted Business to the revenue, profit or otherwise of the Target Group during the three years ended 31 December 2024 and the three months ended 31 March 2025 is immaterial. Please refer to Appendix II to this circular for accountant's report of the Target Group for the three years ended 31 December 2024 and the three months ended 31 March 2025.

Accordingly, the VIE Arrangement is “narrowly tailored” to achieve the business purpose of the Target Group.

## **RISK FACTORS AND LIMITATIONS RELATING TO THE VIE ARRANGEMENT AND THE VIE AGREEMENTS**

**If the PRC government concludes that the VIE Agreements for the Company and/or the PRC Project Company to operate certain businesses in the PRC do not comply with the applicable and relevant laws and regulations of the PRC, or if these laws or their interpretations change in the future, the Company and/or the PRC Project Company could be subject to the nullification of the VIE Agreement(s) and the relinquishment of the Company's interest in the PRC Project Company.**

### **Effectiveness of Control over the PRC Project Company**

The Group relies on the VIE Agreements to operate the business of the PRC Project Company. Such VIE Agreements may not be as effective in providing the Target WFOE with control over the PRC Project Company as direct ownership. If the Target WFOE has direct ownership of the PRC Project Company, it will be able to exercise its rights as a shareholder to effect changes in the board of directors of the PRC Project Company, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level, and make an impact on its business decision making. However, under the VIE Agreements, the Group relies on the performance by the PRC Project Intermediary and the PRC Project Company of their obligations under the VIE Agreements to exercise control over the PRC Project Company. If the PRC Project Company refuse to cooperate, the Company will face difficulties in effecting control over the PRC Project Company's operation of business through the VIE Arrangement, which may adversely affect the Company's business efficiency. Therefore, executing the VIE Agreements with the PRC Project Intermediary and/or the PRC Project Company may not be as effective in ensuring the Target WFOE's control over the PRC Project Company as direct ownership would be.

### **Limitations in exercising the option to acquire ownership in the PRC Project Company**

In the case that the Target WFOE exercises its options to acquire all or part of the equity interest in the PRC Project Company under the Irrevocable Exclusive Call Option Agreement, the acquisition of the entire equity interests in the PRC Project Company may only be conducted

to the extent as permitted by the applicable PRC laws and may be subject to necessary approvals and relevant procedures under applicable PRC laws. Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of the PRC Project Company, which may have a material adverse impact on the Target WFOE's businesses, prospects and results of operation. The Target WFOE may need to pay a substantial amount of enterprise income tax for the income from the ownership transfer according to the Irrevocable Exclusive Call Option Agreement.

### **Taxation Implications with respect to the VIE Agreements**

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the VIE Agreements were not entered into based on arm's length negotiations. In that case, the PRC tax authorities may adjust the income and expenses of the Target WFOE and/or the PRC Project Company for tax purposes, which could result in higher tax liabilities on the Target WFOE and/or the PRC Project Company. The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of the PRC Project Company or those of the Target WFOE increase significantly or if they are required to pay interest on late payments.

### **Insurance Coverage relating to the VIE Agreements and the transactions contemplated thereunder**

The insurance of the Group does not cover the risks relating to the VIE Agreements and the transactions contemplated thereunder. If any risk arises from the VIE Agreements in the future, such as those affecting the enforceability of the VIE Agreements and the operation of the PRC Project Company, the financial results and financial position of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations.

### **Economic risks of the PRC Project Company shared by the Target WFOE**

As the primary beneficiary of the PRC Project Company, the Target WFOE will share both profit and loss of the PRC Project Company. Equally, the Target WFOE bears economic risks which may arise from difficulties in the operation of the PRC Project Company's business. The Target WFOE may have to provide financial support in the event of financial difficulty of the PRC Project Company. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of the PRC Project Company and the need to provide financial support to the PRC Project Company. However, upon Completion, the financial results of the PRC Project Company will be consolidated into the financial statements of the Group, it is likely that the Company's business and financial position will be affected if the PRC Project Company suffers losses or fails to obtain the requisite licences and approvals to continually operate its principally-engaged businesses in the PRC.

## **Arrangements when potential conflicts of interest arise**

The Target WFOE shall rely on the VIE Agreements to exercise control over and to draw the economic benefits from the PRC Project Company. The Target WFOE may not be able to provide sufficient incentives to the PRC Project Intermediary for the purpose of encouraging it/them to act in the best interests of the PRC Project Company, other than stipulating the relevant obligations in the VIE Agreements. The PRC Project Intermediary may breach the VIE Agreements in the event of conflicts of interest or deterioration of its/their relationship with the Target WFOE, the results of which may have a material adverse impact on the Target WFOE's business, prospects and results of operation. It is not assured that if conflicts arise, the PRC Project Intermediary will act in the best interests of the Target WFOE or that the conflicts will be resolved in favour of the Target WFOE. If the PRC Project Intermediary fail to perform its obligations under the respective VIE Agreements, the Target WFOE may have to rely on legal remedies under the PRC laws through legal proceedings, which may be expensive, time-consuming and disruptive to the Target WFOE's operations and will be subject to uncertainties as discussed above.

However, the legal adviser to the Company as to the PRC laws is of the view that pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the PRC Project Company. In addition, even though the VIE Agreements provide that overseas courts (e.g. courts in Hong Kong and Cayman Islands) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognised or enforced under the PRC laws. As a result, in the event that the PRC Project Company or the PRC Project Intermediary breaches the terms of the VIE Agreements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the PRC Project Company could be materially and adversely affected.

In addition, Mr. Luo Jieping, the chairman and executive Director, is one of the Registered Shareholders. Mr. Luo may potentially have conflicts of interest with the Group and breach his contracts or undertakings with the Group if it would further his own interest or if he otherwise acts in bad faith. In the event that such conflict of interest cannot be resolved in the Group's favor, the Group would have to rely on legal proceedings which could result in disruption to its business and the Group is subject to any uncertainty as to the outcome of such legal proceedings.

## **Legal Uncertainties of the VIE Arrangement**

Despite there is currently no indication that the VIE Agreements will be interfered or objected by any PRC regulatory authorities (or under any applicable and relevant law and regulation of the PRC), uncertainties still exist regarding the interpretation and application of the PRC laws and regulations especially in the segments of businesses conducted by the PRC Project Company (which are now categorised as "restricted"). For instance, the PRC regulatory authorities may issue further guidelines that impose stricter foreign ownership requirements in that area of business. Given the uncertain legal and business environment in the PRC, it is

difficult to foresee whether the PRC regulatory authorities will take the same view regarding the VIE Agreements as the legal adviser to the Company as to the PRC laws in the future.

On 15 March 2019, the Standing Committee of National People's Congress promulgated the 2019 PRC Foreign Investment Law, which became effective on 1 January 2020. The 2019 PRC Foreign Investment Law replaces the trio of existing laws regulating foreign investment in China, namely, the Wholly Foreign-owned Enterprises Law, the Sino-foreign Equity Joint Ventures Law, and the Sino-foreign Cooperative Joint Ventures Law, together with their implementation rules and ancillary regulations, and embodies an expected PRC regulatory trend to rationalise its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

However, uncertainties still exist in relation to interpretation and implementation of the 2019 PRC Foreign Investment Law especially in regard to, including, among other things, the nature of VIE Arrangement. In case there would be material and adverse effect on the Target Group or the business of the PRC Project Company arising from the 2019 PRC Foreign Investment Law, the Company will timely announce (i) any updates or material changes to the 2019 PRC Foreign Investment Law; (ii) if any updates or material changes to the 2019 PRC Foreign Investment Law are implemented, a clear description and analysis of the law, specific measures taken by the Company and/or the PRC Project Group to be in compliance with the 2019 PRC Foreign Investment Law with the support of a PRC legal opinion; and (iii) any material impact of the 2019 PRC Foreign Investment Law on the Target Group's operations and financial position (if any). The VIE Arrangement has been adopted by many PRC-based companies to obtain necessary licenses and permits in the industries that are currently subject to ownership and/or foreign investment restrictions in the PRC. While neither the 2019 PRC Foreign Investment Law and its implementation regulations which took effect on 1 January 2020 has defined the VIE Arrangement as a form of foreign investment explicitly, it cannot be guaranteed that future laws and regulations will not provide for the VIE Arrangement as a form of foreign investment. Therefore, there can be no assurance that the Target Group's control over the PRC Project Company through the VIE Arrangement will not be deemed as a foreign investment under the PRC's laws governing foreign investment and/or ownership of businesses engaged in provision of the principally-engaged businesses conducted by the PRC Project Company in the future. In the event that any possible future laws, administrative regulations or provisions implementing more restrictions against the VIE Arrangement, the VIE Agreements may be deemed as invalid and illegal, and the Target Group may be required to unwind the VIE Arrangement and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to the existing VIE Arrangement, the Target Group may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all.

The PRC government may determine that the VIE Agreements do not comply with the applicable PRC law, or if these regulations or their interpretations change in the future, the Target Group may be subject to penalties or be forced to relinquish its interests in those operations. There can be no assurance that the VIE Agreements will be deemed by the relevant

PRC governmental or judicial authorities to be in compliance with the existing or future applicable PRC law, or the PRC relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Agreements will be deemed to be in compliance of the PRC law.

## **ACCOUNTING TREATMENT OF THE VIE ARRANGEMENT AND THE BOARD'S VIEW**

Based on the above, the Board is of the view that the VIE Agreements, when viewed in totality, are specifically tailor-made to achieve the business purposes of the PRC Project Company and to minimise the potential conflict with and are enforceable under the applicable and relevant PRC laws and regulations. The Board considers that the VIE Agreements are an effective mechanism which enables the Target WFOE to gain control over the PRC Project Company, and to be entitled to the economic interests and benefits of the PRC Project Company. The Irrevocable Exclusive Call Option Agreement also provides that the Target WFOE may unwind the VIE Agreements as soon as the applicable and relevant PRC laws and regulations permit the Target WFOE to register itself as the equity interest holder of the PRC Project Company.

The Board, based on the advice of the legal adviser to the Company as to the PRC laws, consider that the use of VIE Agreements is in compliance with the applicable and relevant laws and regulations of the PRC currently in effect and are legally binding and enforceable. As a result of the VIE Arrangement, the Group is able to exert effective control over the PRC Project Group as it has rights to exercise power over the PRC Project Company (as entitled by its equity holders), receive variable returns from its arrangements with the PRC Project Company, and has the ability to affect those returns through its power over the PRC Project Company upon the completion of the Acquisition. Consequently, the Group (as enlarged by the effective control over the PRC Project Company) will treat the Target Company, its subsidiaries, together with the PRC Project Company and/or any of its subsidiaries (if any) as controlled entities and consolidate the financial position and results of operations of these entities in the consolidated financial statements of the Group in accordance with HKFRS 10 – Consolidated Financial Statements upon the completion of the Acquisition. The Company has discussed with its auditors and confirmed the above assessment.

As at the Latest Practicable Date, the Directors are not aware of any factors that has led or would lead to any interference or encumbrance from any governing bodies in the Group's operating the business of the Target Group through the VIE Arrangement under the VIE Agreements.

## INTERNAL CONTROL MEASURES OVER THE VIE ARRANGEMENT

The VIE Agreements contain certain provisions in order to exercise effective control over and to safeguard the assets of the PRC Project Group, including without limitation the transfer restriction over the equity interests in the PRC Project Group subject to prior written consent of the Target WFOE and restriction over the declaration and distribution of dividend by the PRC Project Company. Besides, the Target WFOE is entitled to exercise the rights of the PRC Project Intermediary as shareholder of the PRC Project Company to nominate and appoint the PRC Project Company's directors and legal representative under the Power of Attorney. In addition to the abovementioned internal control measures as provided in the VIE Agreements, it is the intention of the Company, through the Target WFOE, to implement additional internal control measures against the PRC Project Group as appropriate, which may include but not limited to the following:

### Management controls:

- (a) the Company will appoint two representatives comprising executive Directors and/or senior management of the Company ("**Company Representatives**") to enforce all the management controls of the PRC Project Group and are required to review the management review report which contains the financial information of the PRC Project Group submitted by the senior management of the PRC Project Group on a monthly basis;
- (b) the Company Representatives shall conduct site visits to the PRC Project Group and conduct interviews with the senior management of the PRC Project Group from time to time;
- (c) the chief executive officer of the PRC Project Group shall report to the Company Representatives the business operations of the PRC Project Group on a quarterly basis; and
- (d) all seals, chops, incorporation documents and other legal documents of the PRC Project Group shall, to the extent permitted by the PRC laws, be kept at the office of the Target WFOE.

### Financial controls:

- (a) the financial controller of the PRC Project Group shall be nominated by the Company. The finance team of the Company shall collect monthly management accounts, bank statements and cash balances and major operational data of the PRC Project Group for review after the end of each month. The finance team shall seek explanation on any material fluctuations of the collected items from the senior management of the PRC Project Group. Upon discovery of any suspicious matters, the finance team must report to the Board;

- (b) the PRC Project Group shall submit copies of its latest bank statements for every bank accounts after the end of each month; and
- (c) the PRC Project Group shall assist and facilitate the Group or the Target WFOE to conduct all on-site internal audit on the PRC Project Group if so required by the Company.

Legal review:

The Company Representatives shall consult with the legal adviser to the Company as to the PRC laws from time to time to check if there are any legal developments in the PRC affecting the arrangements contemplated under the VIE Agreements, and should report to the Board immediately to enable the Board to determine if any amendment or modification is required to be made.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Starting from the second half of 2021, the real estate sector in China has experienced significant downfall and with plummeting sales and difficulties in securing new fundings under the difficult market conditions, real estate developers have been confronted with unprecedented challenges with regard to liquidity and funding. Under these circumstances, the Group has responded in a proactive manner to improving its liquidity by continuously adopting measures, such as accelerating sales and cash collection, making progress with asset disposals and strictly controlling costs and expenses. Despite these efforts, the Group's liquidity is still confronted with continuous challenges in the short-to-medium term. Furthermore, the real estates market of the PRC continues to decline despite the frequent implementation of housing support policies since 2023. The continuous drop of property price and prolonged capital recovery cycle in the domestic market has also presented severe challenges to all aspects of the local real estate industry, leading to the poor financial position of the Group.

In order to ensure the operation and the long-term development of the Group, the Group have always maintained proactive communication with its creditors. As disclosed in the Company's announcement on 7 May 2025, 4 June 2025, 6 June 2025 and 10 June 2025, the Group has successfully completed the consent solicitation regarding the waiver on payment of outstanding amount of interests payable with respect to the US\$ denominated Senior Notes ("Notes") due 2029 and the issuance of the mandatory convertible bonds on 10 June 2025 for the redemption of the Notes, which will substantially wiped out its indebtedness contemplated under the Notes. As the mandatory convertible bonds will be settled by the mandatory conversion into new shares of the Company on its maturity, the issue of the mandatory convertible bonds will not increase the indebtedness of the Company. This will significantly reduce the Group's debt ratio, substantially optimise its balance sheet structure, effectively improve the cash flow situation, reduce indebtedness and accordingly enhance the financial position of the Group, thereby laying a solid foundation for the pursuit of the Group's transformation and sustainable growth. Assuming the issuance of mandatory convertible bonds due to the redemption of US\$ senior notes occurred on 31 December 2024, the Group's interest-bearing debt ratio as at 31 December 2024 would decrease significantly from 45.3% to



19.5%, and the non-current liabilities of the Group would decrease, while equity and net asset value of the Group would increase by approximately RMB3,253.9 million (equivalent to approximately HK\$3,514.2 million). Additionally, such issuance would also result in a significant increase in the Group's net profit in the first half of 2025 (actual adjustment in the amount of non-current liabilities, equity, net asset value and net profit to be recorded by the Group will be subject to the review by the auditor of the Company).

Apart from the measures above to enhance the Group's financial position, the Group is also actively introducing new productive forces business and promoting the diversification of the business matrix through the empowerment of innovative technologies, in order to strengthen its market competitiveness and creating greater value for its Shareholders.

The Target Group is a full-ecosystem service provider for "Green Energy Artificial Intelligence Computing" and is principally engaged in the AI Businesses, focusing on the development, construction, and operation of AIDC, providing AI computing power technical services and comprehensive AI solutions in the PRC. Supported by the backdrop of "AI+" as China's national development strategy, it can be anticipated that national policies will incline towards the favourable growth of AI and the demand for AI computing power in the AIDC market has surged explosively.

The Target Group's business aligns perfectly with the Chinese government's strategic emphasis on vigorously supporting the development of the AI industry, in view of the following highlighted factors: (i) the AI Businesses align with the most prevailing trend in terms of technological development; (ii) the AI Businesses are in line with national policy support in AI; (iii) the Target Group has secured, substantial and stable orders from high-quality customers with diversified background; (iv) the Target Group comprises team members of leading technical capabilities and rich practical experience; (v) future earnings and cash flow of the Target Group are stable; and (vi) the AI Businesses received enthusiastic attention from the capital market.

As the Latest Practicable Date, the Target Group has entered into long term AI computing power services contracts and AIDC operation services contracts with certain customers including big model companies, cloud vendors, telecommunication operators and other customers, which will generate stable and gradually increasing revenue stream. As the Latest Practicable Date, the Target Group has secured over 80 clients with a total contracted value exceeding RMB10 billion. These clients span multiple sectors including cloud computing, financial services, autonomous driving, internet services, healthcare, and large language models, demonstrating the Target Group's extensive market coverage and diversified client base.

Through the Acquisition, the Group will have the opportunity to actively participate in the AI industry and related areas, thereby achieving diversification of the Group's business. On the other hand, following the Acquisition, bolstered by capital market support, the Target Group's development to lead in the AIDC field will progress on a more rapid pace. Such development will reciprocally enhance the Group's revenue and competitive capabilities by giving the Group a refreshed strategic focus onto the thriving trend of AI business, implement its innovation-driven strategic layout, assist the development of cutting-edge AI technology, and accordingly, the competitive edge derived will create greater value for the Shareholders and will



form a strong complement companies engaging in AI businesses (including listed companies in Hong Kong). Mr. Luo Jieping, the chairman and executive Director of the Company, has focused on technology-related work since 2005 and has more than 20 years of experience in the operation and management of technology-related posts, including key roles in governmental bodies and state-owned enterprise. For instance, Mr. Luo previously led the construction of core systems for the tax informatization in Shenzhen, including the Electronic Tax Bureau, the Tax Collection and Service Platform and the Tax Big Data Decision-making Platform. He has also previously directed the Smart Finance System, which restructured digital finance processes and enhanced social governance capabilities within a digital government framework. Since May 2021, Mr. Luo has been responsible for building a digital government work platform and overseeing large-scale city-level projects that support various specialized tasks. His leadership in these initiatives underscores his expertise in operating the AI Businesses.

Last but not least, by satisfying the Consideration by allotment and issuance of the Consideration Shares, it would not cause immediate cash outflow pressure while the Group is seeking for potential investment opportunities and taking into account of the financial position of the Group, such settlement without obtaining additional bank borrowing and incurring additional finance costs permit the financial resources available to the Group to be utilised on the business development and general working capital of the Group, improving the gearing ratio of the Group, thereby improving its financial position.

The Vendor plans to continue benefiting from the development of the Target Group, driven by the Target Group's own growth and the anticipated synergies to be created from the Acquisition. Rather than realising its investments made in the Target Group, the Vendor aims for the Target Group to accelerate its growth as part of the Group. This strategy will not only stimulate the performance of the Group but also allow the Vendor to reap benefits from the Target Group's success. Based on the above reasons, the Vendor decided to dispose the Target Group to the Group and receive the Consideration in the form of the Shares and become a Shareholder.

Accordingly, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser and the members of the Independent Board Committee) consider that although the transactions contemplated under the Sale and Purchase Agreement, including the allotment and issuance of the Consideration Shares under the Specific Mandate, are not in the ordinary and usual course of business of the Group, the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms agreed upon after arm's length negotiations between the parties with reference to the prevailing market conditions and are fair and reasonable, and are in the interests of the Group and the Independent Shareholders as a whole.

Save and except for Mr. Luo Jieping who is interested in 18% of the issued share capital of the Vendor, none of the Directors has any material interest in the Acquisition and the Sale and Purchase Agreement and is required to abstain from voting on the board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

## EFFECTS ON SHAREHOLDINGS STRUCTURE OF THE COMPANY

Assuming that there will be no change in the issued share capital of the Company other than the allotment and issuance of the Consideration Shares, the shareholding structure of the Company (i) as at the date of the Latest Practicable Date; and (ii) immediately upon Completion with the allotment and issuance of the Consideration Shares; and (iii) for illustration purpose only, immediately upon Completion and upon the exercise in full of all outstanding convertible bonds of the Company are set out below for illustrative purposes:

Shareholders	As at the Latest Practicable Date		Immediately upon Completion with the allotment and issuance of the Consideration Shares		For illustration purpose only, upon Completion and assuming that all the outstanding convertible bonds of the Company are exercised in full and Shares have been issued pursuant thereto immediately after Completion (Note 2)	
	Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
China GBA Holdings (Note 1)	414,665,566	50.94	414,665,566	36.89	414,665,566	27.64
Vendor	–	–	310,000,000	27.58	310,000,000	20.66
Other Public Shareholders	399,437,534	49.06	399,437,534	35.53	775,612,761	51.70
Total (Note 3)	<u>814,103,100</u>	<u>100.00</u>	<u>1,124,103,100</u>	<u>100.00</u>	<u>1,500,278,327</u>	<u>100.00</u>

### Notes:

- China Guangdong – Hong Kong Greater Bay Area Holdings Limited (“**China GBA Holdings**”) is owned as to 84% by Ruixinhaide Holdings Limited (“**RXHD Holdings**”), RXHD Holdings is owned as to 100% by Solid Wealth Holdings Limited (“**Solid Wealth**”), and Solid Wealth is owned as to 90% by Rich Grain Investments Limited (“**Rich Grain**”), which is in turn wholly-owned by Ms. Zeng Yan. By virtue of Part XV of the SFO, Ms. Zeng Yan is deemed to be interested in the 414,665,566 Shares through China GBA Holdings, RXHD Holdings, Solid Wealth and Rich Grain, representing approximately 50.94% of the issued shares of the Company. Furthermore, the spouse of Ms. Zeng Yan (Mr. Luo Jieping, an executive Director) is also deemed to be interested in the Shares which Ms. Zeng Yan is interested in under Part XV of the SFO.
- As at the Latest Practicable Date, the Company had outstanding mandatory convertible bonds in the amount of USD265,251,763 issued on 10 June 2025 to certain bondholders who are Independent Third Parties who are not existing Shareholders. Upon the maturity of the mandatory convertible bonds on 9 June 2026, such mandatory convertible bonds will be mandatorily converted into 376,175,227 Shares to be allotted and issued to the bondholders.

3. Shareholders and public investors should note that the above shareholding percentages for shareholding have been rounded to two decimal places. Accordingly, the total percentage may not be equal to the apparent total percentage.

## **EFFECT OF THE ACQUISITION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY**

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated in the financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular has been prepared to illustrate the financial effect of the Acquisition.

### **Effect on assets and liabilities**

Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix IV to this circular, which is prepared as if the Acquisition had completed on 31 December 2024 to illustrate the effect of the Acquisition, it is expected that the total assets of the Group would increase from approximately RMB12.7 billion to approximately RMB15.6 billion and the total liabilities of the Group would increase from approximately RMB12.6 billion to approximately RMB14.6 billion. As the expected increase in total assets is higher than the expected increase in total liabilities, the net assets of the Group would increase from approximately RMB0.1 billion to approximately RMB1.0 billion.

### **Effect on earnings**

Upon the completion of the Transaction, the Target Company will a direct wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group. It is expected that the Company will be able to record additional revenue stream from the Target Group upon completion of the Transaction.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 25% but less than 100%, the Acquisition pursuant to the Sale and Purchase Agreement constitutes a major transaction under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

The completion of the Acquisition will not result in a change in control of the Company and China GBA Holdings is expected to remain the controlling shareholder of the Company upon completion of the Acquisition.

## TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, China GBA Holdings directly holds in aggregate 414,665,566 Shares, representing approximately 50.94% of the total issued share capital of the Company. Upon Completion at which a total of 310,000,000 Consideration Shares will be issued to the Vendor and assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion, (i) the Vendor will hold 310,000,000 Shares, representing approximately 27.58% of the total number of the issued Shares as increased by the issuance of the Consideration Shares; and (ii) the shareholding percentage of China GBA Holdings in the Company will be diluted to approximately 36.89%. As a result, as each of the Vendor and China GBA Holdings will be owning more than 20% or more of the voting rights of the Company and is thus associated company (as defined in the Takeovers Code) of the Company and hence, under the definition of “acting in concert” under the Takeovers Code, the Vendor and China GBA Holdings would be presumed to be acting in concert with each other. In addition, since (i) Mr. Luo Jieping, an executive Director, is interested in 18% of the issued share capital of the Vendor and is a former director of the Vendor; and (ii) Ms. Zeng Yan, the spouse of Mr. Luo Jieping, is the ultimate beneficial owner of China GBA Holdings, the Vendor and China GBA Holdings are considered to be acting in concert with each other.

The allotment and issue of the Consideration Shares to the Vendor would result in a new acting in concert group being formed or the balance of the group being changed significantly, where China GBA Holdings and the Vendor will in aggregate hold 64.47% of the voting rights in the Company (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion). Such increase of the Vendor’s and the China GBA Holdings’ collective holding of voting rights of the Company would therefore, in the absence of the Whitewash Waiver, trigger an obligation of the Vendor and China GBA Holdings to make a mandatory general offer for all the issued Shares not already owned by them and parties acting in concert with them under Rule 26 of the Takeovers Code.

An application has been made by the Vendor to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the condition that the respective resolution(s) relating to the Whitewash Waiver on one hand, and the Acquisition on the other hand, being separately approved by at least 75% and more than 50%, respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll. As at the Latest Practicable Date, the Executive has indicated that it is minded to grant the Whitewash Waiver. The Acquisition will not proceed if the Whitewash Waiver is not granted or approved.

**If the Whitewash Waiver is approved by the Independent Shareholders, the voting rights of the Company held by the Vendor and China GBA Holdings upon the allotment and issue of the Consideration Shares will exceed 50% of the voting rights of the Company. China GBA Holdings and/or the Vendor and parties acting in concert with each of them may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer. Nonetheless, any member of the Vendor together with China GBA Holdings and parties**

**acting in concert with each of them (1) who acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of the Company would still trigger an obligation to make a general offer under Rule 26 of the Takeovers Code; or (2) who holds not less than 30% but not more than 50% of the voting rights of the Company and that such member acquires additional voting rights and such acquisition has the effect of increasing that member's holding of voting rights of the Company by more than 2% from the lowest percentage holding of that member in the 12-month period ending on and inclusive of the date of the relevant acquisition would still trigger an obligation to make a general offer under Rule 26 of the Takeovers Code.**

As at the Latest Practicable Date, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Transaction does not comply with other applicable rules and regulations.

**Dealings and interest held in the Company's securities by the Vendor and parties acting in concert with it (for this purpose, excluding China GBA Holdings and parties acting in concert with it)**

As at the Latest Practicable Date, the Vendor has confirmed that:

- (i) neither the Vendor nor parties acting in concert with it has received an irrevocable commitment from anyone to vote for the Acquisition and/or the Whitewash Waiver;
- (ii) save for the proposed allotment and issue of the Consideration Shares under the Acquisition, neither the Vendor nor parties acting in concert with it holds any convertible securities, warrants or options of the Company;
- (iii) neither the Vendor nor parties acting in concert with it has entered into outstanding derivative in respect of securities in the Company;
- (iv) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares, shares of the Vendor and shares of China GBA Holdings members (which are corporations) and which might be material to the Acquisition and/or the Whitewash Waiver;
- (v) there are no agreements or arrangements to which the Vendor or any of the parties acting in concert with it is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition and/or the Whitewash Waiver (save as the conditions precedent to the Sale and Purchase Agreement);

- (vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Vendor or parties acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold; and
- (vii) neither the Vendor nor parties acting in concert with it has entered into any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) with any Shareholder.

The Vendor has confirmed that it and parties acting in concert with it have not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of, voting rights in the Company in the Relevant Period.

**Dealings and interest held in the Company's securities by China GBA Holdings and parties acting in concert with it (for this purpose, excluding the Vendor and parties acting in concert with it)**

As at the Latest Practicable Date, China GBA Holdings has confirmed that:

- (i) neither China GBA Holdings nor parties acting in concert with it has received an irrevocable commitment from anyone to vote for the Acquisition and/or the Whitewash Waiver;
- (ii) neither China GBA Holdings nor parties acting in concert with it holds any convertible securities, warrants or options of the Company;
- (iii) neither China GBA Holdings nor parties acting in concert with it has entered into outstanding derivative in respect of securities in the Company;
- (iv) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares, shares of China GBA Holdings members (which are corporations) and shares of the Vendor and which might be material to the Acquisition and/or the Whitewash Waiver;
- (v) there are no agreements or arrangements to which China GBA Holdings or any of the parties acting in concert with it is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition and/or the Whitewash Waiver (save as the conditions precedent to the Sale and Purchase Agreement);
- (vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which China GBA Holdings or parties acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold; and

- (vii) neither China GBA Holdings nor parties acting in concert with it has entered into any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) with any Shareholder.

China GBA Holdings has confirmed that they or parties acting in concert with them have not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of, voting rights in the Company in the Relevant Period.

As at the date of this announcement, no member of the Group or associated companies of the Group has entered into any understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) with any Shareholder.

#### **FURTHER INTENTION OF THE VENDOR AND CHINA GBA HOLDINGS REGARDING THE GROUP**

Following the Completion, the Vendor and China GBA Holdings intend to continue the existing business of the Group. The Vendor and China GBA Holdings will provide (if so required) such resources within its means to support the development of the existing business of the Group. The Vendor and China GBA Holdings have no intention to introduce any change to the existing business of the Group including any redeployment of the fixed assets of the Group or terminate the continued employment of the employees of the Group.

#### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to the Listing Rules and the Takeovers Code, the Independent Board Committee, comprising of all of the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Sale and Purchase Agreement and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. Rainbow Capital has been appointed by the Company as the Independent Financial Adviser with the approval of the Independent Board Committee to advise such committee and the Independent Shareholders in relation to the Acquisition (including the grant of the Specific Mandate for the issuance of Consideration Shares) and the Whitewash Waiver and to make recommendations as to voting.

#### **EGM**

The Company will convene the EGM at Level 32, Block A, Hong Long Century Plaza, Luohu District, Shenzhen, the PRC on Tuesday, 21 October 2025 at 10:30 a.m. to consider and, if thought fit, approve, among other things, the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder, as well as the Whitewash Waiver. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular.



Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions set out in the notice of the EGM will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed and such form of proxy is also published at the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.youngogroup.com](http://www.youngogroup.com). Whether or not you propose to attend the EGM, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the form of proxy shall be deemed to be revoked.

The register of members of the Company will be closed from Thursday, 16 October 2025 to Tuesday, 21 October 2025 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM. In order to qualify for attendance and voting at the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 15 October 2025.

As China GBA Holdings are considered to be acting in concert with the Vendor upon Completion, China GBA Holdings is regarded as having a material interest in the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issuance of the Consideration Shares under the Specific Mandate and the Whitewash Waiver, and shall abstain from voting on the relevant resolution(s) to be proposed at the EGM. Save for China GBA Holdings who directly held 414,664,566 Shares representing approximately 50.94% of the existing issued share capital of the Company as at the Latest Practicable Date, no Shareholder has material interest in the Acquisition, the Sale and Purchase Agreement and the transactions contemplated hereunder, as well as the Whitewash Waiver, and accordingly, save for China GBA Holdings, none of the Shareholders are required to abstain from voting on the resolution to be proposed at the EGM.



## RECOMMENDATIONS

Your attention is drawn to: (i) the letter from the Independent Board Committee set out on pages 58 to 59 of this circular, containing its recommendation to the Independent Shareholders in respect of the Acquisition (including the Sale and Purchase Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver and (ii) the letter from the Independent Financial Adviser set out on pages 60 to 101 of this circular, containing its advice to the Independent Board Committees and the Independent Shareholders in respect of the Acquisition (including the Sale and Purchase Agreement, the transactions contemplated thereunder and the Specific Mandate) and the Whitewash Waiver.

The Directors (including the members of the Independent Board Committee) are of the view that the terms of the Acquisition, the Sale and Purchase Agreement and the transactions contemplated hereunder (including allotment and issuance of the Consideration Shares at the Issue Price under the Specific Mandate) and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole, and they recommend the Independent Shareholders to vote in favour of the resolutions at the EGM.

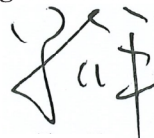
## ADDITIONAL INFORMATION

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

**Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction or waiver (if applicable) of certain Conditions Precedent and the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

By order of the Board

**Guangdong – Hong Kong Greater Bay Area Holdings Limited**



**LUO Jieping**

*Chairman and Executive Director*