雋匯國際金融有限公司
Jun Hui International Finance Limited

25 August 2026

To: the Independent Board Committee and the TC Independent Board Committee and the Independent Shareholders of China Changbaishan International Holdings Limited

Dear Sir or Madam,

(1) RESTRUCTURING FRAMEWORK AGREEMENT IN RELATION TO THE PROPOSED RESTRUCTURING INVOLVING
(i) SUBSCRIPTION; AND
(ii) THE SCHEME;
(2) CONNECTED TRANSACTION – SUBSCRIPTION AND ISSUE OF SCHEME SHARES UNDER SPECIFIC MANDATE; AND
(3) SPECIAL DEAL

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the TC Independent Board Committee and the Independent Shareholders in respect of the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Subscription and the Scheme, and the Special Deal, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 25 August 2026 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 15 July 2026, Ground Group HK and the Company entered into the Restructuring Framework Agreement, pursuant to which the Company will implement the Proposed Restructuring, which involves, among others, (i) the Subscription; and (ii) the Scheme. Following the modifications to the terms of the Scheme sanctioned by the Court on 21 July 2026, Ground Group HK and the Company entered into the Supplemental Restructuring Framework Agreement on 20 August 2026 to reflect such modifications and to supplement the Restructuring Framework Agreement accordingly.

To proceed with the Proposed Restructuring, on 12 January 2026 (as further supplemented on 15 July 2026), Ground Group HK (as lender) and the Company and Ka Yun (as co-borrowers) entered into the Funding Agreement, pursuant to which, Ground Group HK agreed to grant a credit facility of a total sum of up to HK$39,000,000 to the Group to, among others, facilitate (i) the preparation and implementation of the Proposed Restructuring; (ii) the Group's property development and management and property investment business; and (iii) the working capital of the Group.

Pursuant to the Restructuring Framework Agreement and the Subscription Agreement, Ground Group HK shall subscribe for a total of 260,000,000 Subscription Shares at the total subscription price of HK$39,000,000 (representing a subscription price of HK$0.15 per Subscription Share), which shall be satisfied by way of set-off against the outstanding amounts under the Funding Agreement in whole or in part on a dollar-for-dollar basis. The Subscription Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the SGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares. The Subscription Shares represent approximately 4.85% of the Enlarged Issued Share Capital (assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and Scheme Shares).

Pursuant to the terms of the Restructuring Framework Agreement, the Company will propose the Scheme between the Company and the Scheme Creditors. Upon the Proposed Restructuring having become effective, the Scheme Claims of all the Scheme Creditors will be discharged and released in full. In return, the Scheme Creditors with the Admitted Scheme Claims under the Scheme will be entitled to receive the Scheme Shares which will be allotted and issued by the Company to the Scheme Company to be held on trust for the benefit of the Scheme Creditors with Admitted Scheme Claims and will only be distributed to the relevant Scheme Creditors after determination and/or adjudication of their Admitted Scheme Claims and after the close of the Offer.

IMPLICATIONS UNDER THE LISTING RULES AND THE TAKEOVERS CODE

Listing Rules implications

Connected Transactions

Based on the records available to the Company as at the Latest Practicable Date, the Company has certain debts owed to: (i) Ground Group HK, being a company ultimately and beneficially owned by Mr. Cui with effective shareholding interests of approximately 72.60%, which Mr. Cui is a Director; and (ii) Ka Yik, a company directly and wholly owned by Deep Wealth Holding Limited which is in turn held by TMF (Cayman) Ltd. as the trustee of the Ground Trust. The Ground Trust is a discretionary trust where Ms. Cui is the settlor and protector. According to the Scheme, these creditors of the Company may also be a Scheme Creditor, which are subject to determination and/or adjudication by the Scheme Administrators upon the Scheme taking effect. Accordingly, the issue of Scheme Shares to the abovementioned creditors of the Company under the Scheme constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and are subject to the approval of the Independent Shareholders by way of poll. As such, the abovementioned creditors and their respective associates, including the Concert Party Group (including Ground Group HK and Ka Yik) shall abstain from voting in respect of the resolution(s) to approve the Scheme, the Restructuring Framework Agreement, the Subscription Agreement and the transactions contemplated thereunder (including the granting of the Specific Mandate and the Special Deal).

Referring to the Letter from the Board, as at the Latest Practicable Date, the ultimate beneficial owners of Ground Group HK are (i) Mr. Cui (owned as to approximately 72.60% of the effective shareholding interests in Ground Group HK), who is the non-executive Director, the father of Ms. Cui, a former executive director and a substantial shareholder of the Company and the settlor and protector of the Ground Trust (by virtue of Part XV of the SFO, deemed to be owned as to approximately 30.19% of the issued share capital of the Company via direct interests and her interests in Ka Yik and Charm Success); and (ii) Mr. Cong (owned as to approximately 12.00% of the effective shareholding interests in Ground Group HK), who is the executive Director and a sole director of Ground Group HK. The remaining approximately 15.40% of the shareholding interests of Ground Group HK are owned by five natural persons who individually holds less than 10% of the interests as at the Latest Practicable Date. As such, Ground Group HK is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Specific Mandate

The Subscription Shares and the Scheme Shares will be allotted and issued pursuant to the Specific Mandate to be obtained upon approval by the Shareholders at the SGM.

Dilution effect of the Subscription and the issue of Scheme Shares, and exceptional circumstances

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. According to the Letter from the Board, the allotment and issue of the Subscription Shares and the Scheme Shares would result in a relatively significant theoretical dilution effect of approximately 75.32%. Pursuant to Note 2 to Rule 7.27B of the Listing Rules, the Company has consulted the Stock Exchange regarding the allotment and issue of the Subscription Shares and the Scheme Shares. The Stock Exchange has agreed that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B, and the Company may proceed with the Subscription and the Scheme on 26 June 2026.

Takeovers Code implications

Special Deal

As at the Latest Practicable Date, each of Ka Yik, Mr. Jiang Jinbo, Mr. Lin Huipeng and Ms. Wang Ting Ting owns 89,739,018 Shares, 31,500,000 Shares, 4,846,250 Shares and 36,000 Shares, representing approximately 24.91%, 8.75%, 1.34% and 0.01% of the issued share capital of the Company. Based on the information available to the Company, the Company is indebted to each of Ka Yik, Mr. Jiang Jinbo, Mr. Lin Huipeng and Ms. Wang Ting Ting of HK$109,261,334.00, HK$19,800,000.00, HK$19,710,000.00 and HK$1,025,000.00, respectively.

As the proposed settlement of the Admitted Scheme Claims (subject to determination and/or adjudication) to Ka Yik, Mr. Jiang Jinbo, Mr. Lin Huipeng and Ms. Wang Ting Ting under the Scheme is not extended to all other Shareholders, the implementation of the Scheme constitutes a special deal under Rule 25 of the Takeovers Code, and thus requires consent of the Executive.

An application has been made to the Executive for the consents to proceed with the Special Deal under Rule 25 of the Takeovers Code. Such consents, if granted, will be subject to (a) the Independent Financial Adviser publicly stating in its opinion that the terms of the Special Deal are fair and reasonable; and (b) approval of the Special Deal by the Independent Shareholders at the SGM, in which (i) the Concert Party Group and (ii) the Shareholders who are involved in or interested in the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Scheme, the Subscription or the Special Deal (including Ka Yik, Mr. Jiang Jinbo, Mr. Lin Huipeng and Ms. Wang Ting Ting) will be required to abstain from voting in respect of the relevant resolution(s).

Possible unconditional mandatory cash offer

As at the Latest Practicable Date, Charm Success and Ka Yik are interested in 18,356,035 Shares and 89,739,018 Shares, representing approximately 5.10% and 24.91% of the issued share capital of the Company, respectively. Charm Success and Ka Yik are both companies wholly owned by Deep Wealth Holding Limited, which is in turn held by TMF (Cayman) Ltd. as the trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016.

Pursuant to the definition under the Takeovers Code, Ground Group HK, Mr. Cui, Ms. Chai, Ms. Cui, Jilin Ground Group, Xin Guangze, Jilin Guangxun Investment, Jilin Xinquan, Jilin Xinshun, Jilin Zexiao, Ka Yik and Charm Success are presumed to be acting in concert by virtue of classes (1) and (8) of the definition of "acting in concert" under the Takeovers Code, and as a matter of fact are, parties acting in concert.

As at the Latest Practicable Date, the full amount of HK$39,000,000 under the Funding Agreement has been drawn down. Assuming that there is no other change in the number of issued Shares as at the Latest Practicable Date up to the date of Completion (save for the allotment and issue of the Subscription Shares and the Scheme Shares, pending determination and/or adjudication of the Admitted Scheme Claim) and taking into account the entitlement of Scheme Shares upon Completion, the shareholding interest of each of Ground Group HK and Ka Yik would increase to 2,223,059,293 Shares and 818,147,911 Shares, respectively, representing approximately 41.46% and 15.26% of the Enlarged Issued Share Capital, respectively. As such, the aggregate shareholding interest of the Concert Party Group would increase from 108,767,181 Shares, representing approximately 30.20% of the issued Shares as at the Latest Practicable Date, to 3,060,235,367 Shares, representing approximately 57.07% of the Enlarged Issued Share Capital.

Therefore, upon Completion, the Concert Party Group would trigger an obligation to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Concert Party Group) under Rule 26.1 of the Takeovers Code.

Assuming there is no other change in the number of issued Shares from the Latest Practicable Date up to the date of Completion and in light of the Irrevocable Undertaking in respect of the Scheme Shares, the remaining 251,414,759 Shares, being 5,362,635,631 issued Shares (i.e. the total number of the Enlarged Issued Share Capital) after deducting the 368,767,181 issued Shares held by the Concert Party Group and 4,742,453,691 Scheme Shares issued to the Scheme Company, will be subject to the Offer.

Details of the Offer will be included in the Composite Document to be despatched.

THE INDEPENDENT BOARD COMMITTEE AND THE TC INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Tsang Hung Kei, Mr. Wang Xiaochu and Ms. Wang Meirong, has been established to advise the Independent Shareholders as to whether the terms of the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Scheme and the Subscription are fair and reasonable so far as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote, taking into account recommendations of the Independent Financial Adviser.

The TC Independent Board Committee comprising all non-executive Directors who have no direct or indirect interest in the Offer, the Scheme, the Subscription, and the Special Deal, namely Mr. Chiu Sin Nang, Kenny, Mr. Tsang Hung Kei, Mr. Wang Xiaochu and Ms. Wang Meirong, has been established in compliance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders whether the Special Deal is fair and reasonable, and as to voting, with its letter included in this circular. Since Mr. Cui is the sole director of Jilin Zexiao, the ultimate parent company of the Offeror, he is considered to be interested in the Offer and the Special Deal and is therefore not considered to be independent, he has been excluded from the TC Independent Board Committee.

We, Jun Hui International, have been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee and the TC Independent Board Committee to (a) advise the Independent Board Committee and the Independent Shareholders on whether the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Subscription and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned and how to vote; and (b) advise the TC Independent Board Committee and the Independent Shareholders on whether the Special Deal is fair and reasonable so far as the Independent Shareholders are concerned and how to vote.

OUR INDEPENDENCE

Jun Hui International is not associated with, nor have any relationship with or interests in the Company, the Concert Party Group, the Shareholders, financial or other professional advisers to the Concert Party Group or the Company and the Scheme Creditors who are involved in or interested in the Restructuring Framework Agreement and the transactions contemplated thereunder (including the Subscription and the Scheme) and the Special Deal, or their respective substantial shareholders or any party acting, or presumed to be acting in concert with any of them, which could reasonably be regarded as relevant to our independence.

We have no engagement or connection between the Company or the Concert Party Group or the Shareholders or the Scheme Creditors who are involved in or interested in the Restructuring Framework Agreement and the transactions contemplated thereunder (including the Subscription and the Scheme) and the Special Deal in the last two years prior to the commencement of the offer period, i.e. 15 July 2026. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Concert Party Group, the Shareholders and the Scheme Creditors who are involved in or interested in the Restructuring Framework Agreement and the transactions contemplated thereunder (including the Subscription and the Scheme) and the Special Deal, or their respective substantial shareholders or any party acting, or presumed to be acting in concert with any of them.

Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the TC Independent Board Committee and the Independent Shareholders pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the TC Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the management of the Group (the "**Management**")), and have assumed that all information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) were true, accurate and complete in all material respects at the time when they were made and up to the date of this letter. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular (or otherwise provided to us by the Directors and the Management) are reasonably made after due and careful enquiry. We have no reason to doubt that any relevant information has been withheld or omitted, nor are we aware of any fact or circumstance which would render the information, opinions and representations provided or made to us untrue, inaccurate or misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions and representations expressed in the Circular (or otherwise provided to us by the Directors and the Management) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading in any material respect. We consider that we have received sufficient information to enable us to reach an informed view, and have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to justify our reliance on the information, opinions and representations provided or made to us so as to form a reasonable basis for our opinion and recommendation, which include, among other things:

(a) reviewed the Letter from the Board, interim report of the Company for the six months ended 30 September 2025 and its annual reports for the years ended 31 March 2024, 2025 and 2026 ("**Interim Report 2025/26**", "**Annual Report 2023/24**", "**Annual Report 2024/25**" and "**Annual Report 2025/26**", respectively);

(b) conducted market and comparable researches to analyse the major terms of the Restructuring Framework Agreement and the transactions contemplated thereunder; and

(c) discussed with the Directors and the Management regarding, among other things, the background, reasons for and benefits of the Restructuring Framework Agreement and the transactions contemplated thereunder and the basis of the major terms of it.

We have not, however, for the purpose of this exercise, conducted any independent detailed verification or audit or investigation into the business, affairs, operations, financial position or future prospects of the Group or the information provided, representations made, or opinion expressed by the Directors and the Management. Our opinion was necessarily based on the legal, financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date. The Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such information provided and representations made, or if there is any change to our opinion in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the TC Independent Board Committee and the Independent Shareholders in respect of the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Subscription and the Scheme, and the Special Deal, we have considered the following principal factors and reasons:

I. Background and financial information of the Group

Background of the Group

Referring to the Letter from the Board, the Company is an investment holding company. The Group is principally engaged in property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration, property investment and cultivation and sales of ginseng assets in the PRC. Referring to Annual Report 2025/26, the Group's property investment segment is treated and presented as a discontinued operation for the year ended 31 March 2026 upon the disposal of Baishan Ground Real Estate Development Company Limited and Baishan Ground Business Management Company Limited. It is disclosed that despite of the Group's presentation of the property investment business segment as a discontinued operation in accordance with HKFRS5 for accounting purpose, the Group's management considers the property investment segment remains to be one of the operating segments of the Group and the Group is actively seeking for potential properties to hold for rental income or capital appreciation, subject to the investment return, synergy and exit potentials of any opportunities.

Referring to Annual Report 2024/25, Interim Report 2025/26 and Annual Report 2025/26, it is noted that the Group has strived to improve financial position and reduce the level of its debts. The following corporate actions were taken by the Group:

(1) on 25 April 2024, the Group entered into a loan capitalisation agreement with Ground Investment Holding Group (Hong Kong) Co., Limited, of which a loan amount of RMB230 million will be capitalised by the issuance of 5,060,000,000 ordinary shares (before share consolidated) at a price of HK$0.05 upon completion. Details are set out in the Company's announcements dated 14 May 2024 and 16 May 2024 and its circular dated 29 June 2024. It is disclosed that, however, the Company believed there was minimal chance for the requisite approvals to be obtained on or before 31 December 2024 (being the long stop date for the completion of the loan capitalisation agreement). The loan capitalisation agreement was terminated on 4 October 2024, details of which are set out in the Company's announcement dated 4 October 2024;

(2) in October 2024, the Group as vendor entered into an equity transfer agreement with an independent third party as purchaser to conditionally dispose of its entire equity interests in Jilin Province Ground Tourism Development Company Limited for a nominal consideration of RMB1. Jilin Province Ground Tourism Development Company Limited has a cultural tourism property project in Fusong County, Baishan City, Jilin Province (the "**Fusong Property Project**"). It is disclosed in Annual Report 2024/25 that, as the financing market remained tight, the Group's financial position and cash flows were not in a position to meet the expected future cash flow commitment on the project. At the same time the project company had outstanding bank and other loans of approximately RMB408 million, all of which had become due. The Board considered it is appropriate to divest the Fusong Property Project in order to, among others, alleviate the Group's debt and financing costs burden. On 30 September 2025, the Group completed disposal of the Fusong Property Project. The assets and liabilities of the Fusong Property Project had been derecognised from the Group's financial statements as at 30 September 2025. Further details of the equity transfer agreement are set out in the Company's announcement dated 25 October 2024 and its circular dated 29 November 2024. Referring to Annual Report 2025/26, a gain on disposal of approximately RMB18.7 million was recognised by the Group in profit or loss under other income and gains;

(3) in November 2024, the Company proposed to carry out a capital reorganisation involving, among others, (i) every twenty issued shares of par value of HK$0.05 each be consolidated into one consolidated share of par value of HK$1.00 each; (ii) the par value of each issued consolidated share be reduced from HK$1.00 to HK$0.01 by cancellation of the paid-up capital of the Company to the extent of HK$0.99 on each issued consolidated share; (iii) each authorised but unissued consolidated share be sub-divided into one hundred new shares of HK$0.01 each; (iv) each authorised but unissued existing convertible preference share be sub-divided into five new convertible preference shares of HK$0.01 each; (v) the credits arising from the capital reduction and share premium reduction be credited to the contributed surplus account; and (vi) the board lot size for trading on the Stock Exchange be changed from 5,000 existing Shares to 10,000 consolidated Shares. Details of the proposed capital reorganisation are set out in the Company's announcements dated 11 November 2024 and 6 December 2024 and its circular dated 29 November 2024. The capital reorganisation became effective on 17 January 2025;

(4) on 28 July 2025, the Group entered into an equity transfer agreement with an independent third party purchaser to dispose of the property projects in Baishan City and Yanji City for a nominal consideration of RMB1. It is disclosed in Interim Report 2025/26 that, the disposal led to a decrease in the Group's bank loans by approximately RMB241.0 million which will further improve the Group's debt level. We also refer to the relevant announcement of the Company dated 28 July 2025 which revealed that the Group's management had carried out review on the Group's project portfolio and took into account the Group's highly leveraged financial position and its net liabilities position, and they decided to divest certain project companies (under tradename "**Guangze**") that (i) are loss-making; (ii) require substantial development expenditure to complete the development; and/or (iii) have an expected prolonged payback period. The disposal constituted a major transaction of the Company under the Listing Rules (details of the disposal were set out in the said announcement dated 28 July 2025 and the Company's circular dated 16 September 2025). Referring to Annual Report 2025/26, the disposal was completed on 31 March 2026 and a gain on disposal of approximately RMB147.3 million was recognised by the Group in profit or loss under other income and gains;

(5) on 18 September 2025, the Group entered into an equity transfer agreement with an independent third party to dispose of the entire equity interests in Hua Yin International Holdings (Dunhua) Company Limited and its subsidiaries, at a consideration of RMB1. We also refer to the relevant announcement of the Company dated 18 September 2025 which revealed that, by divesting those certain property projects in Dunhua City (which were either unprofitable or would require capital and development expenditures), the disposal could help reduce the Group's overall debt position and mitigate its liquidity issue. The disposal constituted a discloseable transaction of the Company under the Listing Rules (details of the disposal were set out in the said announcement dated 18 September 2025). Referring to Annual Report 2025/26, the disposal was completed on 26 September 2025 and a gain on disposal of RMB123,000 was recognised by the Group in profit or loss under other income and gains; and

(6) the Company has also transferred convertible bonds to shareholder loans. On 13 December 2024, the convertible bonds issued by the Company to Ka Yik on 14 December 2021 (i.e. the 2021 CBs, which were initially due on 13 June 2023) in the principal of HK$103,076,730 (equivalent to approximately RMB94,057,000) together with the accrued interest of HK$6,184,604 were settled by the provision of a loan from Ka Yik of HK$109,261,334 (equivalent to approximately RMB99,700,000), as disclosed in Annual Report 2024/25.

It is also disclosed in Interim Report 2025/26 that, the management had carried out negotiations with financial institutions, substantial shareholders, and professional parties to explore possible options for improvement. The Group has decreased its bank loans through the disposals of project companies during the past years, transferred convertible bonds to shareholder loans, and explored the possibility to raise funds via equity financing. However, all of the above actions were yet able to sufficiently resolve the Group's net liabilities position. Total deficit of the Group was approximately RMB489.5 million as at 31 March 2026.

Financial information of the Group

The following table summarises the results of operation and financial positions of the Group for the years ended 31 March 2024, 2025 and 2026 :

(i) *Results of operation*

	For the year ended 31 March			
	2024	**2025**	**2025**	**2026**
		(before restated)	(restated)	
		(Note 1)	*(Note 1)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Revenue *(Note 2)*				
– Sale of properties	69,936	130,720	130,720	30,241
– Rental income	13,239	13,236	–	–
– Property management service income	32,897	28,520	28,520	22,445
– Project management service income	–	13,865	13,865	–
Total	**116,072**	**186,341**	**173,105**	**52,686**
Gross profit/(loss)	**9,876**	**8,778**	**(2,713)**	**3,258**
Other income and gains	8,940	419	419	168,115
Selling and distribution expenses	(6,024)	(5,508)	(3,953)	(2,552)
Administrative expenses	(38,459)	(36,950)	(34,513)	(25,407)
Finance costs	(23,121)	(51,440)	(49,450)	(42,910)
Other expenses	(86,885)	(692,146)	(692,058)	(11,024)
Change in fair value of investment properties	(64,200)	(170,912)	–	–
Gain on initial recognition of ginseng assets held for sale	–	–	–	45,675
Change in fair value of ginseng assets held for sale	–	–	–	3,700
Change in fair value of derivative financial instruments	(27,840)	(282)	(282)	(228)
(Loss)/Profit before tax	(227,713)	(948,041)	(782,550)	138,627
(Loss)/Profit for the year from continuing operations	(193,330)	(852,906)	(712,034)	128,314
Loss for the year from discontinued operation	–	–	(140,872)	(6,065)
(Loss)/Profit for the year	**(193,330)**	**(852,906)**	**(852,906)**	**122,249**
			(Note 2)	*(Note 2)*
Net cash flows used in operating activities	(81,923)	(40,644)	(40,644)	(39,877)

Notes:

1) For completeness purpose and to avoid any confusion of disclosures in Annual Report 2024/25, Annual Report 2025/26 and this letter, both financial figures of the Group for the year ended 31 March 2025 before restated (as disclosed in Annual Report 2024/25) and after restated (as disclosed in Annual Report 2025/26) are provided. As referred to Annual Report 2025/26 and confirmed by the Company, following the disposal of the property project in Baishan City that holds the sole investment properties in the Group, the property investment business in the year ended 31 March 2026 was classified as discontinued operation under HKFRS 5 "Non-current assets held for sale and discontinued operations" whereby the operating results of the property investment business are presented as loss for the year from discontinued operation. In accordance with HKFRS 5, comparative figures presented have also been restated to conform to presentation of the year ended 31 March 2026.

2) No revenue was generated in relation to the Group's ginseng business during the years ended 31 March 2024, 2025 and 2026.

Source: Annual Report 2023/24, Annual Report 2024/25 and Annual Report 2025/26 published by the Company on the website of the Stock Exchange

<u>Financial results for the year ended 31 March 2024 compared with the year ended 31 March 2025</u> (Note: to avoid any confusion of disclosures with Annual Report 2024/25, the Group's financial figures before restated for the year ended 31 March 2025 are used under this headline for illustration purpose)

Revenue of the Group increased by approximately 60.5% from approximately RMB116.1 million for the year ended 31 March 2024 to approximately RMB186.3 million for the year ended 31 March 2025, which was mainly due to the increase in sale of properties by approximately 86.9% resulted from the fact that the Group's property project of Guangze China House – Phase IIA was completed and delivered during the year ended 31 March 2025 whereas there was no newly completed property project delivered during the year ended 31 March 2024. During the years ended 31 March 2024 and 2025, the Group had a gross profit of approximately RMB9.9 million (with a gross margin of approximately 8.5%) and RMB8.8 million (with a gross margin of approximately 4.7%), respectively. As disclosed in Annual Report 2024/25, the decrease in overall gross profit and gross margin for the year ended 31 March 2025 was primarily due to lower gross profit margin in respect of the Group's property project of Guangze China House – Phases IIA which was resulted from a significant release of capitalised interest from a prolonged construction period of the project into the cost of sales during the year ended 31 March 2025.

During the year ended 31 March 2025, the Group's results of operations further deteriorated and recorded net loss of approximately RMB852.9 million, compared to the net loss of approximately RMB193.3 million for the year ended 31 March 2024, which was mainly the combined effect of: (i) the decreased other income and gains from approximately RMB8.9 million for the year ended 31 March 2024 to approximately RMB0.4 million for the year ended 31 March 2025 mainly as the matter of (a) an exchange gain of approximately RMB4.3 million, (b) gain on modification of convertible bonds of approximately RMB1.8 million (of which the Company advised that the bondholder was Ka Yik and the modification was related to an extension of maturity date of the convertible bonds) and (c) gain on recognition of lease receivables of approximately RMB2.3 million recognised during the year ended 31 March 2024 (as the matter of an accounting gain recognised for the transfer of certain car park units from properties under development and completed properties held for sale to lease receivables upon completion, as advised by the Company), whereas there were no such items in the year ended 31 March 2025; (ii) the increased finance costs from approximately RMB23.1 million for the year ended 31 March 2024 to approximately RMB51.4 million for the year ended 31 March 2025 which was mainly due to less interest capitalised into properties under development during the year ended 31 March 2025 (as the matter of completion or suspension of relevant property projects and the related interest was subsequently not qualified for capitalisation under the Group's accounting policy, as advised by the Company); (iii) the increased other expenses from approximately RMB86.9 million for the year ended 31 March 2024 to approximately RMB692.1 million for the year ended 31 March 2025 which was mainly due to the write-down of properties under development and impairment loss on assets associated with disposal group classified as held for sale in respect of the Fusong Property Project of approximately RMB637.9 million (compared to that of approximately RMB84.3 million during the year ended 31 March 2024) and RMB47.1 million (whereas it was nil during the year ended 31 March 2024), respectively; and (iv) the change in fair value of investment properties which had a further decrease in the fair value of approximately RMB170.9 million during the year ended 31 March 2025 (compared to that of approximately RMB64.2 million for the year ended 31 March 2024) mainly as the matter of the continual deterioration of the market rent for shopping mall units in Baishan City, Jilin Province, as disclosed in Annual Report 2024/25.

Financial results for the year ended 31 March 2025 (restated) compared with the year ended 31 March 2026 (Note: to avoid any confusion of disclosures with Annual Report 2025/26, restated financial figures of the Group for the year ended 31 March 2025 are used under this headline for illustration purpose)

Revenue of the Group decreased by approximately 69.6% from approximately RMB173.1 million (restated) for the year ended 31 March 2025 to approximately RMB52.7 million for the year ended 31 March 2026, which was mainly due to the decrease in sale of properties by approximately 76.9% resulted from the fact that no new properties project was completed and delivered during the year ended 31 March 2026. The Group had a gross profit of approximately RMB3.3 million (with a gross margin of approximately 6.2%) for the year ended 31 March 2026 and a gross loss of approximately RMB2.7 million (restated) for the year ended 31 March 2025. As disclosed in Annual Report 2025/26, the increase in overall gross profit for the year ended 31 March 2026 was primarily due to the lower gross profit margin in respect of the Group's property project of Guangze China House – Phases IIA which was resulted from a significant release of capitalised interest from a prolonged construction period of the project into the cost of sales during the year ended 31 March 2025.

During the year ended 31 March 2026, the Group recorded net profit of approximately RMB122.2 million, compared to the net loss of approximately RMB852.9 million (restated) for the year ended 31 March 2025, which was mainly the combined effect of: (i) the gross profit of approximately RMB3.3 million recorded for the year ended 31 March 2026, compared to the gross loss of approximately RMB2.7 million (restated) for the year ended 31 March 2025 as explained above; (ii) the increased other income and gains from approximately RMB0.4 million (restated) for the year ended 31 March 2025 to approximately RMB168.1 million for the year ended 31 March 2026 which was mainly due to one-off gains arising from the disposals of certain property projects; and (iii) the significant decrease in other expenses from approximately RMB692.1 million (restated) for the year ended 31 March 2025 to approximately RMB11.0 million for the year ended 31 March 2026 which was mainly due to the write-down of properties under development and impairment loss on assets associated with disposal group classified as held for sale in respect of the Fusong Property Project of approximately RMB637.9 million and RMB47.1 million respectively for the year ended 31 March 2025, whilst there were no such write-downs and impairment during the year ended 31 March 2026, as disclosed in Annual Report 2025/26.

(ii) Financial positions

	As at 31 March		As at 31 March
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Non-current assets	**516,901**	**337,963**	**4,478**
– which include, among others:			
Investment properties	486,200	315,288	–
Current assets	**1,751,614**	**914,401**	**413,492**
– which include, among others:			
Properties under development and completed properties held for sale	1,606,803	335,304	261,460
Ginseng assets held for sale	–	–	101,700
Pledged and restricted deposits	5,366	3,324	797
Cash and cash equivalents	53,635	5,103	4,152
Assets associated with disposal group classified as held for sale	–	504,169	–
Total assets	**2,268,515**	**1,252,364**	**417,970**
Non-current liabilities	**396,043**	**18,740**	**12,461**
– which include, among others:			
Liability component of the convertible bonds	45,950	–	–
Bank and other borrowings	230,990	–	–
Current liabilities	**1,643,598**	**1,856,925**	**895,002**
– which include, among others:			
Trade and other payables	490,797	435,912	176,718
Loans from a substantial/controlling shareholder	344,849	449,363	369,743
Loans from related parties	63,651	50,060	35,750
Bank and other borrowings	420,640	243,090	183,375
Liability component of the convertible bonds	95,726	48,517	51,733
Liabilities associated with disposal group classified as held for sale	–	504,169	–
Total liabilities	**2,039,641**	**1,875,665**	**907,463**
Total (deficit)/equity	**228,874**	**(623,301)**	**(489,493)**
Gearing ratio *(Note)*	80%	197%, or 106% (excluding disposal group), as disclosed in Annual Report 2024/25 and Interim Report 2025/26 respectively 204%, as disclosed in Annual Report 2025/26	174%
Net current (liabilities)/assets	108,016	(942,524)	(481,510)

Note: Refers to (a) the gearing ratio disclosed in Annual Report 2023/24 and Annual Report 2024/25, which is net debt divided by the adjusted capital (being the Group's total equity plus the liability component of the Convertible Bonds) plus net debt; and (b) the gearing ratio disclosed in Annual Report 2025/26, which is net debt divided by the adjusted capital (being the Group's total equity plus the liability component of the Convertible Bonds). For completeness and to avoid any confusion of disclosures, gearing ratios as at 31 March 2025 disclosed by the Company in its financial reports are presented in this table to facilitate year-on-year comparison for illustration purpose in this letter. As confirmed by the Company, the difference between gearing ratio as at 31 March 2025 reported in Annual Report 2024/25 and Annual Report 2025/26 was principally resulted from the revised calculation method for the gearing ratio as illustrated above.

Source: Annual Report 2023/24, Annual Report 2024/25 and Annual Report 2025/26 published by the Company on the website of the Stock Exchange

As at 31 March 2025, the Group had total assets of approximately RMB1,252.4 million, which significantly reduced by approximately RMB1,016.1 million from the total assets of approximately RMB2,268.5 million as at 31 March 2024. As at 31 March 2024 and 2025, the Group had total liabilities of approximately RMB2,039.6 million and RMB1,875.7 million, respectively. The Group's financial positions deteriorated from the total equity of approximately RMB228.9 million as at 31 March 2024 to the total deficit of approximately RMB623.3 million as at 31 March 2025, as the decrease in its total assets as at 31 March 2025 substantially outweighed the decrease in its total liabilities as at the same date.

Referring to Annual Report 2024/25, certain major items comprising the total assets of the Group as at 31 March 2025 included (i) investment properties of approximately RMB315.3 million compared with the balance of approximately RMB486.2 million as at 31 March 2024, the decrease in balance of investment properties as at 31 March 2025 was mainly due to the decrease in fair value of the self-owned and leased portion of the shopping mall in Baishan City, Jilin Province as a result of the decrease in market rent; (ii) properties under development and completed properties held for sale of approximately RMB335.3 million; (iii) cash and cash equivalents of approximately RMB5.1 million, and (iv) assets associated with disposal group classified as held for sale of approximately RMB504.2 million in relation to the disposal of the entire equity interest in Jilin Province Ground Tourism Development Company Limited and its three subsidiaries (the "**Fusong Disposal**"), whereas the balance was nil as at 31 March 2024. The lower balance of the Group's total assets of approximately RMB1,252.4 million as at 31 March 2025, comparing to the balance of approximately RMB2,268.5 million as at 31 March 2024 was mainly as the result of (i) the write-down on the Group's properties under development in the Fusong Property Project of approximately RMB637.9 million made during the six months ended 30 September 2024; and (ii) decrease of cash and cash equivalents from approximately RMB53.6 million as at 31 March 2024 to approximately RMB5.1 million as at 31 March 2025 primarily resulted from the repayment of borrowings, settlement of construction costs, interests, operating expenditure partially offset by the cash receipt from pre-sale of properties, as advised by the Company. Other than the write-down of the Fusong Property Project as mentioned above, the decrease in the Group's properties under development and completed properties held for sale from approximately RMB1,606.8 million as at 31 March 2024 to approximately RMB335.3 million as at 31 March 2025 was primarily attributable to (a) the transfer of the Fusong Property Project to assets associated with disposal group classified as held for sale, (b) the completion and delivery of property units on the Group's property project of Guangze China House – Phase

IIA (the completion of the property project resulted in the relevant property project costs being allocated into two categories, namely cost of sales on pre-sold units upon recognition of the respective revenue from sale of properties and completed properties held for sale on remaining unsold units in accordance with the Group's accounting policy as advised by the Company), and (c) partially offset by the increase in construction costs relating to Guangze Jiuxi Red House – Phase II (a property project of the Group located in Changchun City of Jilin Province, which is expected to complete construction in second half of 2025 as disclosed in Annual Report 2024/25), as advised by the Company.

As at 31 March 2025, certain major items comprising the Group's total liabilities were (i) trade and other payables of approximately RMB435.9 million; (ii) loans from a substantial/controlling shareholder of approximately RMB449.4 million, which were unsecured, interest free and repayable within one year or on demand; (iii) bank and other borrowings of approximately RMB243.1 million, which were payable within one year or on demand; and (iv) liabilities associated with disposal group classified as held for sale of approximately RMB504.2 million in relation to the Fusong Disposal. The gearing ratio of the Group as at 31 March 2025 was high at approximately 197% (figure disclosed in Annual Report 2024/25), which increased as compared with its gearing ratio of approximately 80% as at 31 March 2024 mainly due to the decrease in the Group's equity as a result of the increase in accumulated losses referring to Annual Report 2024/25.

As at 31 March 2026, the Group had total assets of approximately RMB418.0 million and total liabilities of approximately RMB907.5 million. The Group's total liabilities remained substantially outweighing its total assets as at the same date. The Group's financial positions remained as total deficit, recording the balance of approximately RMB489.5 million as at 31 March 2026.

Referring to Annual Report 2025/26, certain major items comprising the total assets of the Group as at 31 March 2026 included (i) properties under development (being mainly Guangze Jiuxi Red House – Phase II) and completed properties held for sale (being mainly unsold units of Guangze Jiuxi Red House – Phase I) of approximately RMB261.5 million; (ii) ginseng assets held for sale of approximately RMB101.7 million; and (iii) cash and cash equivalents of approximately RMB4.2 million. The lower balance of the Group's total assets of approximately RMB418.0 million as at 31 March 2026, comparing to the balance of approximately RMB1,252.4 million as at 31 March 2025 was mainly as the result of (i) no balance of investment properties was recorded as at 31 March 2026, comparing to the balance of approximately RMB315.3 million as at 31 March 2025 which were primarily certain shopping mall units in Baishan City, Jilin Province. Such investment properties were reclassified to assets associated with disposal group classified as held for sale in September 2025 and were derecognised upon the completion of the disposal in March 2026; (ii) decreased balance of properties under development and completed properties held for sale from approximately RMB335.3 million as at 31 March 2025 to approximately RMB261.5 million as at 31 March 2026. As disclosed in Annual Report 2025/26, the lower balance of properties under development and completed properties held for sale as at 31 March 2026 was primarily the result led by the remaining residential and commercial units and car parking spaces at projects completed in prior years including those relating to Baishan and Yanji Property Projects were reclassified to assets associated with disposal group classified as held for sale in September 2025 and were derecognised upon the completion of the disposal in March 2026; (iii) no balance of assets associated with disposal group classified as held for sale was recorded as at 31 March 2026 following the disposal of the Fusong Property Project, comparing to the balance of approximately RMB504.2 million as at 31 March 2025, and partially offset by the initial recognition of ginseng assets held for sale of approximately RMB101.7 million as at 31 March 2026 as the Group purchased ginseng assets grown under forest land located in Ji'an City, Jilin Province during the year ended 31 March 2026.

As at 31 March 2026, certain major items comprising the Group's total liabilities were (i) trade and other payables of approximately RMB176.7 million; (ii) loans from a substantial shareholder of approximately RMB369.7 million, which were unsecured, interest free and repayable on demand; and (iii) bank and other borrowings of approximately RMB183.4 million. The lower balance of the Group's total liabilities of approximately RMB907.5 million as at 31 March 2026, comparing to the balance of approximately RMB1,875.7 million as at 31 March 2025 was mainly as the result of (i) decrease in trade and other payable from approximately RMB435.9 million as at 31 March 2025 to approximately RMB176.7 million as at 31 March 2026; and (ii) no balance of liabilities associated with disposal group classified as held for sale was recorded as at 31 March 2026 following the disposal of the Fusong Property Project, comparing to the balance of approximately RMB504.2 million as at 31 March 2025. The gearing ratio of the Group as at 31 March 2026 remained high at approximately 174%, which slightly decreased as compared with its gearing ratio of approximately 204% (figure disclosed in Annual Report 2025/26) as at 31 March 2025 mainly due to the decrease in the Group's net debt as a result of its disposals of non-performing property projects (with net liabilities) during the year ended 31 March 2026 referring to Annual Report 2025/26.

(iii) Valuation of the Group's properties and adjusted net liabilities

The valuation of the properties held by the Group (being the unsold portions of Guangze Jiuxi Red House – Phase I and Phase II, collectively as the "**Property**") in existing state as at 31 May 2026 (the "**Valuation Date**") has been assessed by Colliers Appraisal & Advisory Services (Shanghai) Co., Ltd. ("**Colliers**" or the "**Valuer**") pursuant to Rule 11.1(f) of the Takeovers Code. The full text of the valuation report (including the valuation certificates) is set out in Appendix II to the Circular (the "**Valuation Report**"). According to the Valuation Report, the total market value of the Property attributable to the Group as at the Valuation Date was RMB305.0 million (the "**Valuation**").

We have reviewed the Valuation Report and discussed with the Valuer the methodology, bases and assumptions adopted in arriving at the Valuation. We note that the Valuer has valued the Property by the direct comparison approach, with reference to recent asking prices of comparable properties located within the same district (Jiutai District, Changchun) with similar conditions, size and tenure, adjusted for factors including condition, amenities, environment, view, age and decoration, management, and, for the retail comparables, established retail area, accessibility, size and road frontage. We further note that pre-sold portions of the Property have been taken into account by the Valuer at their respective transacted amounts. In addition, the Valuer has selected separate sets of comparables for the residential and retail portions of the Property respectively, on the basis that residential and retail properties are subject to different market dynamics, pricing characteristics and value drivers and are separately analysed under the direct comparison approach. Based on our enquiry with the Valuer, we note that this valuation methodology is a commonly used approach for assessing the market value of residential and retail properties held for sale (the same as the Property).

We are provided with the Valuer's underlying workings indicating the adjustments applied to comparable properties, and enquired of the Valuer as to the basis on which such adjustments were determined. We understand that the adjustments reflect the Valuer's assessment of the specific characteristics of each comparable property by reference to the Property, and have reviewed and confirmed the quantified adjustment ranges disclosed by the Valuer to be consistent with the direction of adjustment applied to each comparable as set out in the Valuation Report. We have also enquired about the equal weighting applied by the Valuer to each comparable, and understand this reflects the Valuer's assessment that none of the selected comparables was demonstrably more representative of the Property than the others. We consider this a reasonable basis for weighting.

Further to the above, we have enquired the qualifications and experience of the persons responsible for the Valuation. We note that Mr. Kin Ming Woo James, Executive Director and Head of China Valuation and Advisory Services at Colliers, is a fellow member of the Royal Institution of Chartered Surveyors ("**RICS**") with 30 years' experience in the valuation of properties of this magnitude and type in China, and that Mr. Chin Pang Tsang, Executive Director and Acting Head of the Valuation and Advisory Services (Hong Kong) at Colliers, is a member of RICS and the Hong Kong Institute of Surveyors, a Registered Professional Surveyor in Hong Kong and a Registered Real Estate Appraiser in the PRC, with over 26 years' relevant experience. The Valuer has confirmed that the Valuation has been prepared in accordance with the HKIS Valuation Standards (2024 Edition) published by The Hong Kong Institute of Surveyors, the RICS Valuation – Global Standards published by RICS, and the requirements set out in Chapter 5 of and Practice Note 12 to the Listing Rules and Rule 11 of the Takeovers Code.

After our enquiry, we understand that the Valuer provided valuation services to the Company for: (i) connected transaction in relation to loan capitalisation involving subscription of shares under specific mandate and application for whitewash waiver in 2024 (with the Company's circular dated 29 June 2024); (ii) very substantial disposal in relation to the disposal of the entire equity interest of the target company involving a property project in Fusong County, Jilin Province (with the Company's circular dated 29 November 2024); (iii) major transaction in relation to the disposal of the entire equity interest of the target companies involving property projects in Baishan City and Yanji City, Jilin Province (with the Company's circular dated 16 September 2025); and (iv) valuation on fair value of investment properties held by the Group, if any, for annual preparation of the Group's financial statements. The aforementioned valuation services had been completed. We have been confirmed by the Valuer that it has no other relationship with the Company or the Concert Party Group or the Scheme Creditors which may render the Valuer not independent, and we are satisfied that the Valuer is independent of the Company, the Concert Party Group and the Scheme Creditors for the purpose of the Valuation. We have also reviewed the Valuer's terms of engagement and are satisfied that the scope of work thereunder is appropriate for the Valuer to arrive at its opinion of value.

Adjusted net liabilities

For the purpose of Rule 11 of the Takeovers Code, we have reviewed the adjusted unaudited consolidated net liabilities attributable to the Shareholders, which is provided by the Company and calculated based on the audited consolidated net liabilities attributable to the Shareholders as at 31 March 2026, adjusted with reference to the Valuation as at 31 May 2026. Details of the adjustment are set out in the table below for illustration purpose.

	RMB'000
Audited consolidated net liabilities as at 31 March 2026	(489,493)
Adjustment:	
– Revaluation surplus arising from the Valuation *(Note)*	43,540
Adjusted net liabilities	(445,953)

Note: represents the revaluation surplus arising from the excess of (a) the market value of the Property in existing state of RMB305.0 million as at 31 May 2026 according to the Valuation Report in Appendix II to the Circular, as appraised by the Valuer, over (b) its corresponding book value of approximately RMB261.5 million as at 31 March 2026.

The appreciation in value of the Property represented by the Valuation was mainly attributable to the fact that the Property has been stated at cost in the consolidated financial statements of the Group since completion, in accordance with the accounting policy adopted by the Group, whereas the Valuation reflects the current open market value of the Property. We also note that the revaluation surplus of approximately RMB43.5 million is modest relative to the Group's audited net liabilities as at 31 March 2026, and the Group would remain in a substantial net liabilities position after taking the Valuation into account. Accordingly, we do not consider the Valuation to have a material impact on the Group's overall net liabilities position.

Going concern issue

It is noted that the independent auditor's report in Annual Report 2024/25 includes a "Material uncertainty relating to going concern" paragraph, from which the Company's auditor highlighted, among others, the loss from continuing operations of approximately RMB852.9 million recorded by the Group for the year ended 31 March 2025, the net current liabilities of approximately RMB942.5 million and net liabilities of approximately RMB623.3 million recorded by the Group as at 31 March 2025, and concluded these conditions may cast significant doubt on the Group's ability to continue as a going concern.

The going concern issue remain unresolved as referred to Annual Report 2025/26, disclosing that the Company's auditor considered, among others, the Group's net current liabilities and net liabilities of approximately RMB481.5 million and RMB489.5 million respectively, of which RMB183.4 million represented other borrowings and RMB51.7 million represented liability component of convertible bonds as at 31 March 2026, while the cash and cash equivalents amounted to approximately RMB4.2 million only as at 31 March 2026, and considered that the Group may take longer time than expected to realise cash from the sales of its properties, and/or have cash from external financing to meet its loan repayment obligations. The Company's auditor expressed that these conditions along with certain matters relating to the Funding Agreement for the purpose of financing the Company's restructuring and the working capital requirements of the Group, the cash flow forecast of which the Directors expect the Group to generate adequate cash flows to maintain its operations and the continuous active measures to control costs and expenses by the Group, indicate the existence of a material uncertainty which casts significant doubt on the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The validity of the going concern basis depends on the assumptions that the Group would be successful in the debt restructuring, further cash inflow from ginseng business and obtaining the future fundings. The Company's auditor issued disclaimer of opinion and expressed that, due to the uncertainty of the Group's ability to maintain adequate future cash flows, it was unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements for the year ended 31 March 2026 on a going concern basis are proper and appropriate. For further details, please refer to the independent auditor's report included in Annual Report 2025/26.

We consider the going concern issue of the Company raised by its auditor, in particular, the success of the Proposed Restructuring has become one of the assumptions affecting the validity of the going concern basis in relation to the consolidated financial statements for the year ended 31 March 2026 and the disclaimer of opinion given by the Company's auditor as above discussed, shall be cautiously considered as an indication that a credible restructuring plan is urgently required to ease financial distress situation of the Group.

According to Note 3 to Rule 2 of the Takeovers Code, we would like to draw the attention to the Independent Shareholders that the Company's auditor has issued disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 March 2026. As stated in the independent auditor's report included in Annual Report 2025/26, the disclaimer of opinion was issued due to, among others, the Company's auditor was unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. The Company's auditor expressed that should the going concern assumption be inappropriate, adjustments may have to be made to reclassify non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. For detailed information of the basis of disclaimer of opinion, please refer to the independent auditor's report in Annual Report 2025/26 and the Letter from the Board.

Industry overview

During the years ended 31 March 2024, 2025 and 2026, sale of properties remained as the major revenue stream of the Group which accounted for approximately 60.3%, 70.2% (before restatement of relevant financial figures, or approximately 75.5% after restatement of relevant financial figures for the year ended 31 March 2025) and 57.4% of the Group's revenue, respectively. It is noted that the property development and management business in the PRC remains as the major business of the Group and it is key to the Group's financial performance.

National Bureau of Statistics of China revealed that the investment in real estate development in China was approximately RMB8,278.8 billion in 2025, indicating a year-on-year decrease of approximately 17.2%. From January to May 2026, the investment in real estate development was approximately RMB3,035.6 billion, which represented a decrease of approximately 16.2% comparing with the corresponding period of last year. The situation of the real estate investment in the Northeastern region of China, being the region where the Group's principal business and properties are located, was even worse recording a decrease of approximately 28.4% from January to May 2026 (with the investment in real estate development amounted to approximately RMB43.9 billion) as compared with the corresponding period of last year. According to an article titled "China's home prices seen falling faster before stabilising in 2027: Reuters poll" released by Reuters on 13 March 2026, it is noted that the property sector in China remains stuck in a prolonged downturn, still facing several structural challenges, including demographic shifts, an uncertain employment environment, low housing affordability and high stocks of unsold homes. The article also indicated the property investment and sales in China are expected to remain weak in 2026, with investment forecast to fall 10.3% and sales down 6.5%. While the property management sector in China is also generally tough. According to an article titled China's real estate funk drags down yet another sector: property service providers" released by Reuters on 3 June 2026, it is revealed that providers of property services in China are struggling to collect management fees from disgruntled homeowners, threatening their revenue and house prices in general, as the consequence after decades of overbuilding, many compounds are partly vacant and distressed property developers owe the service fees for unsold flats. From the above, we note the unfavourable condition of the PRC property market will likely continue or the market will likely remain uncertain in the short run.

Our assessment on outlook of the Group

Referring to the Letter from the Board, the Directors consider the Company is in severe liquidity shortage and financial distress situation, its ability to repay all its indebtedness when they fall due has been significantly impaired, which does not have sufficient financial resources to cover all its liabilities as they became due. We took into account the following points previously illustrated under this section:

(i) the Group continued incurring net loss during the years ended 31 March 2024 and 2025 (although it recorded net profit of approximately RMB122.2 million for the year ended 31 March 2026, the profit was relatively thin. As advised by the Company, it was a one-time gain arising from the disposals of the non-performing property projects. The Company also cannot guarantee profit will continue in the near-term). As abovementioned under the sub-section headed "Going concern issue", the Company's auditor issued disclaimer of opinion in respect of the Group's consolidated financial statements for the year ended 31 March 2026 and expressed a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, having considered factors including the net current liabilities, net liabilities and cash position of the Group as at 31 March 2026 and that the Group may take longer time than expected to realise cash from the sales of its properties and/or have cash from external financial to meet its loan repayment obligations. This suggests that the own business operations of the Group shall not be able to timely improve its financial distress situation. The disclaimer of opinion and going concern issue raised by the Company's auditor shall be cautiously considered as an indication of a credible restructuring plan in urgent need;

(ii) the Group's financial position deteriorated from total equity of approximately RMB228.9 million as at 31 March 2024 to total deficit of approximately RMB623.3 million as at 31 March 2025. As at 31 March 2026, total deficit of the Group was approximately RMB489.5 million, with current liabilities of approximately RMB895.0 million remained significantly outweighing its current assets of approximately RMB413.5 million as at the same date. Although the Group has, among others, disposed project companies with unfavourable performance such as the Fusong Property Project and the Baishan and Yanji property projects aiming to improve its financial distress, its gearing ratio remained high at around 106% (even though excluding disposal group) and 174% as at 31 March 2025 and 2026, respectively. The Group's cash and cash equivalents were also low at approximately RMB4.2 million as at 31 March 2026 which shall not be able to support its operation and improve its financial distress situation. The above indicates the Group is balance-sheet insolvent to a significant extent, and without substantial balance-sheet repair (e.g. debt to equity conversion), there may not be realistic way to restore a positive equity position;

(iii) as at 31 March 2025, the Group held only approximately RMB5.1 million in cash and cash equivalents and RMB3.3 million in pledged and restricted deposits, whilst it had significant amount of current liabilities, including among others, trade and other payables of approximately RMB435.9 million, current portion of bank and other borrowings of approximately RMB243.1 million, loans from a substantial/controlling shareholder of approximately RMB449.4 million, loans from related parties of approximately RMB50.1 million and current portion of liability component of convertible bonds of approximately RMB48.5 million as at the same date. As at 31 March 2026, its cash and cash equivalents remained low at approximately RMB4.2 million. Net cash flows used in operating activities of the Group had been negative, being approximately RMB81.9 million, RMB40.6 million and RMB39.9 million for the years ended 31 March 2024, 2025 and 2026, respectively. The above shows the Group has insufficient liquid resources to meet its trade payables and current debt liabilities from operating cash flows or cash on hand, and also indicates a possible and near-term default risk by the Group; and

(iv) as above mentioned under the sub-section headed "Background of the Group", the Group had carried out review on its project portfolio and divested unfavourable property projects which were unprofitable and/or would require capital and development expenditures, trying to improve its financial position. However, the Group recorded decrease in gross profit (approximately RMB9.9 million for the year ended 31 March 2024 comparing to approximately RMB8.8 million (before restated, or even recorded gross loss (after restated) of approximately RMB2.7 million for the year ended 31 March 2025) or the gross profit was relatively thin (approximately RMB3.3 million for the year ended 31 March 2026), and had negative net operating cash flows during the years ended 31 March 2024, 2025 and 2026. In addition, as previously illustrated under the sub-section headed "Industry overview", we note that the PRC property market remained uncertain and market downturn will likely continue in the short run. Historical figure of investment in real estate development even indicated a stronger downturn in the Northeastern region of China, being the region where the Group's principal business and properties are located. Hence, the general market condition shall unlikely to support business growth of the Group, whose existing property business was unable to generate enough cash or margin to solve its financial distress in the near-term.

Based on the above, we therefore agree with the Directors' view that the Company is in severe financial distress situation and has insufficient internal financial resources to cover all its liabilities as they became due in the near-term, and has a need for credible restructuring plan to restore a positive equity position.

II. Information of Ground Group HK

Ground Group HK is a company incorporated in Hong Kong with limited liability and is wholly owned by Jilin Ground Group, which is in turn wholly owned by Xin Guangze.

Xin Guangze is a company established in the PRC with limited liability and is owned as to approximately 75.00%, 10.00% and 15.00% by each of Jilin Guangxun Investment, Jilin Xinquan and Jilin Xinshun, respectively: (i) Jilin Guangxun Investment is a company established in the PRC with limited liability and is owned as to approximately 96.86% by Mr. Cui and 劉曉丹 (Liu Xiaodan*) through Jilin Zexiao and as to approximately 3.14% by 王彥剛 (Wang Yangang*) and 李志國 (Li Zhiguo*) through Jilin Tianyi. Wang Yangang and Li Zhiguo are Independent Third Parties, each of whom does not have any relationship with Mr. Cui; (ii) Jilin Xinquan is a company established in the PRC with limited liability and is owned as to approximately 98.77% by 劉曉丹 (Liu Xiaodan*) and approximately 1.23% by 吳紀雨 (Wu Jiyu*) respectively. Liu Xiaodan is the cousin of Mr. Cui. Wu Jiyu is an Independent Third Party and does not have any relationship with Mr. Cui; and (iii) Jilin Xinshun is a company established in the PRC with limited liability and is owned as to 80% by Mr. Cong and 20% by 孫國華 (Sun Guohua*) respectively. Mr. Cong is an executive Director and Sun Guohua is an Independent Third Party. Each of Mr. Cong and Sun Guohua does not have any relationship with Mr. Cui.

Ground Group HK is principally engaged in investment holdings. Based on the available books, records and information of the Company and pending determination and/or adjudication of the Admitted Scheme Claims, the total claim amount owed by the Company to Ground Group HK and Ka Yik is HK$403,720,228.11. Ground Group HK and Ka Yik will be entitled to the aggregate of 2,691,468,186 Scheme Shares upon the Proposed Restructuring becoming effective. Further, Ground Group HK has undertaken to subscribe for 260,000,000 Subscription Shares by way of setoff against amounts owing under the Funding Agreement.

III. Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement

As set out in the Letter from the Board, taking into account the Company is in severe liquidity shortage and financial distress situation, its ability to repay all its indebtedness when they fall due has been significantly impaired, which does not have sufficient financial resources to cover all its liabilities as they became due. With the willingness of Ground Group HK to finance the Group in order to relieve the indebtedness of the Company and to support the business operations of the Group, the Directors consider that the entering into of the Restructuring Framework Agreement and the Subscription Agreement will facilitate the debt restructuring of the Group and is beneficial to the Group in proceeding its debt restructuring plan.

On the other hand, the Company considers that the Proposed Restructuring is a strategic and realistic solution to resolve its outstanding debts in an orderly manner such that all of the Company's indebtedness and liabilities to the Creditors will be released and discharged pursuant to the terms of the Scheme, without which the Company, as a holding entity and as disclosed above, would subject to an unsustainable financial situation and would be at risk of insolvent liquidation, and the expected returns to the Shareholders and Scheme Creditors would likely be lower or become minimal.

While the Subscription Price and the Issue Price of HK$0.15 represent a discount to the prevailing market price of the Shares, the Board (including members of the Independent Board Committee and members of the TC Independent Board Committe, whose views have been set out in this circular together with the advice of the Independent Financial Adviser, but excluding Mr. Cui and Mr. Cong who had abstained from voting on the relevant Board resolutions and providing views on the matters) considers that the market price does not reasonably reflect the Company's underlying financial condition, having regard to the low trading liquidity of the Shares and the Company's deeply insolvent position. The discount serves as a necessary incentive for Ground Group HK, being the sole investor willing to participate in the restructuring, to inject capital and assume the risks associated with the Company's outstanding liabilities and uncertain future performance. In the absence of alternative funding sources and based on the discussions with the Creditors, during which certain lead Creditors explicitly expressed that they would not accept the Subscription Price and the Issue Price to be higher than HK$0.15, and the Board (including members of the Independent Board Committee and members of the TC Independent Board Committe, whose views have been set out in this circular together with the advice of the Independent Financial Adviser, but excluding Mr. Cui and Mr. Cong who had abstained from voting on the relevant Board resolutions and providing views on the matters) understood that the Concert Party Group did not expect to accept any nominal haircut on face value for the Proposed Restructuring, the Board (including members of the Independent Board Committee and members of the TC Independent Board Committe, whose views have been set out in this circular together with the advice of the Independent Financial Adviser, but excluding Mr. Cui and Mr. Cong who had abstained from voting on the relevant Board resolutions and providing views on the matters), after taking into account (i) the feedback from the Creditors; (ii) the absence of any competing higher-priced proposal; (iii) the Group's limited funding alternatives (with the Concert Party Group being the only interested investor willing to participate and provide new funding in the Proposed Restructuring); (iv) the investment risk faced by the Concert Party Group; and (v) the immediate need to implement a restructuring that could secure creditor support, thus considers that the Subscription Price and the Issue Price of HK$0.15 represent the only viable basis upon which a rescuer could be secured, and therefore constitute the best price reasonably obtainable in the circumstances. The Board (including members of the Independent Board Committee and members of the TC Independent Board Committe, whose views have been set out in this circular together with the advice of the Independent Financial Adviser, but excluding Mr. Cui and Mr. Cong who had abstained from voting on the relevant Board resolutions and providing views on the matters) considers that a nominal haircut on face value would have significantly reduced the prospects of achieving the requisite statutory majorities at the Scheme Meeting, potentially rendering the Proposed Restructuring unworkable.

In light of the above and notwithstanding the allotment and issue of the Subscription Shares and the Scheme Shares would result in a theoretical dilution of approximately 75.32%, the Board (including members of the Independent Board Committee and members of the TC Independent Board Committe, whose views have been set out in this circular together with the advice of the Independent Financial Adviser, but excluding Mr. Cui and Mr. Cong who had abstained from voting on the relevant Board resolutions and providing views on the matters) is of the view that the terms of the Proposed Restructuring (including the Subscription Price and the Issue Price) are fair and reasonable, on normal commercial terms and in the interests of the Company, its Shareholders and the Creditors as a whole.

The Scheme has been structured to address and settle the Company's indebtedness (instead of all of the Group's indebtedness) which is proposed to be admitted as Scheme Claims of approximately HK$711.4 million, representing a substantial portion of the Group's consolidated liabilities. The remaining indebtedness and contingent liabilities of other members of the Group are, in substance, governed primarily by PRC law and arise at the level of PRC operating subsidiaries, which cannot be directly compromised by a scheme of arrangement sanctioned by the Hong Kong Court and will instead continue to be managed through the Group's ongoing restructuring efforts and enforcement negotiations in the PRC.

With the Proposed Restructuring expected to be completed in the fourth quarter of 2026, it is expected that the Group's debt level will be significantly improved. Upon Completion, it is anticipated that the Group's remaining liabilities mainly comprise (i) trade and other payable (mainly attributable to construction cost payables arising from the Group's properties projects), which will be settled by proceeds from the sale of properties; (ii) contract liabilities, which will be recognised as sale of properties upon completion of construction of the Group's property project; and (iii) income tax payable and deferred tax, which will be settled by proceeds from the sale of properties.

Imminent need to pursue the Proposed Restructuring

To examine the Group's imminent need to pursue the Proposed Restructuring, we further consider the following:

(i) we have discussed with and advised by the Company that the total outstanding indebtedness of the Company were up to around HK$711 million as at 21 June 2026 (the "**Relevant Date**"). We have obtained the corresponding list of liabilities and note that, among the total outstanding indebtedness of around HK$711 million, approximately HK$403.7 million were related to the Concert Party Group (nature of which being corporate guarantee liabilities or borrowings to the Company, which were repayable on demand) and approximately HK$307.6 million were related to independent third-party creditors (nature of which being corporate guarantee liabilities, borrowings to the Company or bonds, which were either in default or under cross-default provisions). We note that the Group would not be enough to settle its indebtedness even if its current assets of approximately RMB413.5 million as at 31 March 2026 were all liquidated at book value. Referring to the Letter from the Board, the total outstanding indebtedness of the Company remained as around HK$711 million as at the Latest Practicable Date. Referring to the

Letter from the Board and as confirmed by the Company, the Company has been communicating with the Concert Party Group and the creditors with a view to managing their repayment demands and preventing the Group from being placed into liquidation, notwithstanding that it still received demand letters from certain creditors during the year ended 31 March 2026 requesting the Group's immediate repayment for their outstanding debts and formal legal demand indicating potential enforcement proceedings against the Group. We consider the creditors are entitled to file a winding-up petition against the Company at any time at their discretions, and the Shareholders would most likely not be able to receive any value for their equity interest in the Company if the Company is subject to bankruptcy, and together having considered the significant amount of indebtedness of the Group (significantly outweighed the Group's current assets even if its current assets could be all liquidated at book value) as illustrated above, we therefore agree that the Company shall have an urgent need to repay the significant outstanding indebtedness under creditors' pressures;

(ii) we note earlier in this letter that the Company has insufficient internal financial resources to cover all its liabilities as they became due in the near-term, in particular, the Group failed to generate positive net operating cash flows during the recent financial years and its balance of cash also remained low at approximately RMB4.9 million (including pledged and restricted deposits and cash and cash equivalents) as at 31 March 2026. The disclaimer of opinion and going concern issue raised by the Company's auditor as previously illustrated in this letter also provide clear signal about the financial distress situation of the Group. We therefore consider that the Company has a need for credible restructuring plan to restore a positive equity position. However, as mentioned under the section headed "Background and financial information of the Group – Background of the Group" above in this letter, we note that the Group has taken different actions such as loan capitalisation, capital reorganisation, divesting unfavourable property projects to reduce its bank loans and capital expenditure requirements and transferring convertible bonds to shareholder loans, whereas these actions were yet able to sufficiently resolve the Group's net liabilities position. We therefore agree with the Board that the Proposed Restructuring represents a chance to relieve the financial distress situation of the Group with the presence of new funding from Ground Group HK, which is also the only party willing to provide new funding to the Group as confirmed by the Directors, under the Proposed Restructuring; and

(iii) we have also enquired the Company about possible immediate cash, in material aspect, that could be generated or realised from the Group's existing business and properties. Based on our discussions with the Management and calculations provided to us by the Company, we understand that: (a) the Group has a remaining property project, namely Guangze Jiuxi Red House comprising two phases (phase one completed during the year ended 31 March 2023 and phase two expected to complete construction in December 2026) which would have an estimated total sale proceeds from remaining units of approximately RMB209 million and remaining construction cost payable (based on the related actual balance as at 31 March 2026 in the Group's financial statements) of approximately RMB140 million. Although the estimated total sale proceeds from remaining units would cover the project's remaining construction cost payable, the sale proceeds after offsetting the remaining cost would only be around RMB69 million (for simplicity and illustration purpose, only the net effect of estimated sale proceeds minus cost is considered), which is far inadequate to repay the outstanding indebtedness of the Company (being around HK$711 million as at 21 June 2026 as abovementioned); and (b) the existing property management services of the Group would only expect to maintain similar business scale as the existing level in the coming year and the revenue from which would be inadequate to repay the outstanding indebtedness of the Company.

As discussed previously in this letter under the section headed "Background and financial information of the Group – Our assessment on outlook of the Group", we took into account factors including (i) the going concern issue of the Company raised by its auditor who has given the disclaimer of opinion in respect of the Group's consolidated financial statements for the year ended 31 March 2026, (ii) indication of balance-sheet insolvency relating to the Group, (iii) its sufficiency of liquid resources to meet repayment needs and (iv) the prevailing market condition, and we consider that the Company is in severe financial distress situation and has insufficient internal financial resources to cover all its liabilities as they became due in the near-term and has a need for credible restructuring plan to restore a positive equity position. Combined with more considerations discussed in the paragraphs above, including (v) the Group's current asset level (even all liquidated at book value were not be enough to cover its outstanding indebtedness) and the urgency need to settle the indebtedness under pressures from creditors who are entitled to file a winding-up petition against the Company at any time, (vi) the financial distress situation of the Group while the Proposed Restructuring contains new funding to the Group from Ground Group HK (which is also the only party willing to provide new funding at the material time) and (vii) the unavailability of possible immediate cash (in material aspect) even having taken into account the Group's existing business and remaining unsold property project, we therefore agree with the Directors that the Company has immediate need to implement the Proposed Restructuring to settle its indebtedness and restore a positive equity position which is also in the interests of the Company and the Shareholders as a whole.

Use of proceeds

As referred to the Letter from the Board, taking into account the Company is in severe liquidity shortage and financial distress situation, its ability to repay all its indebtedness when they fall due has been significantly impaired, and the willingness of Ground Group HK to finance the Group, the Directors considered that the entering into of the Restructuring Framework Agreement and the Subscription Agreement will facilitate the debt restructuring of the Group and is beneficial to the Group in proceeding its debt restructuring plan. Referring to the Letter from the Board, it is disclosed that the proceeds from the Subscription (with a total sum of HK$39,000,000 which has been drawn down as at the Latest Practicable Date) will be applied as to (i) approximately HK$10,000,000 for costs and expenses for the implementation of the restructuring plan of the Group (and approximately HK$6.3 million of the drawn down amount has been utilised for the said costs and expenses mainly comprised counsel fee for the sanction of the Scheme and fees for other professional parties as at the Latest Practicable Date), (ii) approximately HK$10,000,000 for the expenditure for the property development and management, and property investment business of the Group (and approximately HK$8.7 million of the drawn down amount has been utilised for the said expenditure with respect to constructions costs payables to contractors and vendors arisen from the Group's existing property project as at the Latest Practicable Date and the remaining amount to be utilised for settling the constructions costs payables of the same property project for the year ending 31 March 2027), and (iii) the balance for the working capital of the Group (approximately HK$12.0 million of the drawn down amount has been utilised for working capital with respect to staff costs, legal and professional fees and other administrative expenses of the Group as at the Latest Practicable Date). The above proposed use of proceeds of the Subscription is for indicative purpose only and may be changed subject to the agreement among the Company and Ground Group HK. Details of the use of proceeds from the Subscription are set out in the section headed "2B. The Subscription" of the Letter from the Board.

We note the Subscription provides the Group with aggregate proceeds of approximately HK$39 million, which we consider to be beneficial to the Group in light of its severe financial distress and the fact that its financing enquiries have been declined by several financial institutions. We have discussed with the Company the benefits of the Subscription which are principally reflected in the funding to be raised under the Subscription. We consider the benefits of the Subscription arise and took into account: (i) the fact that the Company has failed to raise new funds whose financing requests had been refused/ declined by several financial institutions, and the Proposed Restructuring becomes the only viable financing method of the Company at the material time (as further illustrated below under the sub-section headed "Financing alternatives"); (ii) as stated in the concluding paragraph under the sub-section headed "Imminent need to pursue the Proposed Restructuring" above, we agree that the Company has immediate need to proceed with the Proposed Restructuring to settle its indebtedness. Based on the cost breakdown provided by the Company, the total estimated cost of the Proposed Restructuring will be close to HK$10 million, mainly comprising professional fees, which the Company is unable to pay such cost from its existing cash resources. We note from the section headed "Background and financial information of the Group – Financial information of the Group" above in this letter that the Group's cash and cash equivalents were only approximately RMB4.2 million as at 31 March 2026 and its net operating cash flows were negative for the recent financial years. The use of part of the proceeds of the Subscription to cover such costs will make the Proposed Restructuring realistic to the Company and alleviate its cost burden; (iii) as noted above, the Group's net operating cash flows were negative for the recent financial years. The Group requires financial resources to support its current business operations. The allocation of the proceeds (in the amount of approximately HK$19 million) to general working capital of the Group which has been/will be used for payment of staff costs, legal and professional fees and other administrative expenses, and the allocation of the proceeds (in the amount of approximately HK$10 million) towards the Group's property business for settling the construction cost payables relating to its property project namely "Guangze Jiuxi Red House" (located in Jiutai District, Changchun City, Jilin Province) will help ease the Group's operating cost burden, provide greater business flexibility in short run in view of its tight cash position and are beneficial to the Group; and (iv) our view that setting the Subscription Price at a substantial discount to the historical closing prices of the Shares is commercially reasonable to facilitate the successful implementation of the Proposed Restructuring as illustrated under the section headed "Assessment on the Subscription Price and the Issue Price" below in this letter, we consider the Subscription in the principal amount of HK$39 million is fair.

During the year ended 31 March 2026, the Group's net cash flows used in operating activities were approximately RMB39.9 million. By excluding the portion of HK$10 million for the implementation of the restructuring plan with this planned to cover all the estimated cost arisen under the Proposed Restructuring, we, after review of the Group's latest financial statements, the cost breakdown relating to intended use of proceeds provided by the Company and discussions with the Management, note that the remaining proceeds (has been/to be applied towards the Group's property business and for general working capital purpose) of approximately HK$29 million would be close to three-fourths of the Group's net operating cash flows for the year ended 31 March 2026. Without material change in the Group's cost structure, it is reasonable to state that the allocated proceeds would be sufficient to support the Group's current operations in the short run, but it may not be the case from a long-term perspective.

In balancing the benefits of the Subscription as discussed above and that without implementing the Proposed Restructuring (i.e. no funding could be raised by the Group at the material time), we agree with the Directors that the entering into of the Restructuring Framework Agreement and the Subscription Agreement will facilitate the debt restructuring of the Group and is beneficial to the Group in proceeding its debt restructuring plan.

Financing alternatives

We have discussed with the Company and were given to understand that the Company had considered other means of fund raising to solve its indebtedness issue, including equity fund raising methods and debt financing such as bank borrowings. As advised by the Company, prior to resolving to the Proposed Restructuring, the Group had sought for financing possibilities from its principal bank and four other financial institutions since late December 2025, and discussing with the Company's substantial Shareholders for financial support.

(i) *Debt financing*

The Company approached its principal bank in December 2025 with respect to, among others, the possibility of loan financing, but was given the reply that it did not satisfy the bank's lending criteria in the view of the Company's financial results and cash flow performance except that the bank may consider to provide loan to the Group in the PRC if the Company has cash as collateral. We are provided by the Company with the relevant record of the Company with the bank. However, the Directors did not consider the cash collateral loan to be a viable option for the Group, given its minimal cash balance relative to its funding needs, and as confirmed by the Director, the Company's enquiry for debt financing was turned down by the bank. As discussed previously in this letter under the section headed "Background and financial information of the Group – Our assessment on outlook of the Group", we agree with the Directors that the Company is in severe financial distress situation given, among others, the disclaimer of opinion and going concern issue raised by the Company's auditor, indication of balance-sheet insolvency, sufficiency of liquid resources and the prevailing market condition. The cash position of the Group was also low. Its one remaining property project, namely Guangze Jiuxi Red House located in Jilin Province, had total book value of approximately RMB261.5 million as at 31 March 2026 (classified as properties under development and completed properties held for sale under current assets in the Group's consolidated statement of financial position as referred to Annual Report 2025/26). As confirmed by the Company, such property project is currently at its pre-sale stage with certain units already pre-sold. The pledging of the remaining unsold units would deter the Group from selling the property units to realise cash. Therefore, the Group has no significant assets available to be pledged as collateral for obtaining new funding. Referring to the Letter from the Board, it is noted that the Management had also attempted to approach the Company's substantial Shareholders for financial support, and apart from the further financial support provided under the Funding Agreement and the substantial Shareholder's consent not to demand immediate repayment of the existing loans of approximately HK$403.7 million if the Company proceeds its debt restructuring, the Management has been informed that no other financial support will be given to the Group.

Given the Company's principal bank also shows its unwillingness to provide new funding to support the Group's operations, and in the absence of significant assets/cash to be pledged as collateral for debt financing, we agree with the Directors that debt financing shall not be feasible for the Group's current situation whose net liabilities was significant (approximately RMB489.5 million as at 31 March 2026) and gearing ratio remained high (approximately 174% as at 31 March 2026). We consider that even though any debts could be sought out, debt financing is subject to repayment obligations and using funds from new loans to repay existing loans may not be an effective way to improve the Group's liability position from a long-term perspective.

(ii) *Equity financing*

As advised by the Management, they had considered equity financing alternatives such as share placement, rights issue and open offer, whilst equity financing involves identification of suitable underwriters or placing agents who is/are willing to commit to relevant engagement for the Company. It is noted that the Management approached four financial institutions (being investment banks and/or brokerage firms) during late 2025 and early 2026 to explore possible debt and equity financing opportunities that could be available to the Group, but was declined by the financial institutions to provide debt or equity financing generally as the matter of their concerns about the Company's financial position. We are provided by the Company with the relevant correspondence between the Company and the financial institutions, and consider their rejections to the Group's financing enquiries could to a significant extent substantiate the Company's difficulty in sourcing underwriters or placing agents and thereby equity financing may not be a feasible option to the Group given its financial distress situation. In addition, as abovementioned, it is stated in the Letter from the Board that the Management had also attempted to approach the Company's substantial Shareholders for financial support, and apart from the further financial support provided under the Funding Agreement and the substantial Shareholder's consent not to demand immediate repayment of the existing loans if the Company proceeds its debt restructuring, the Management has been informed that no other financial support will be given to the Group.

From the above, it is noted that debt financing and equity financing alternatives shall not be feasible to the Company with severe financial distress whose enquiries for financing had been refused/declined by its principal bank and four other financial institutions as well as its substantial shareholders. The Proposed Restructuring becomes the only viable financing method of the Company at the material time. We also note from the Letter from the Board that, pursuant to the terms of the Restructuring Framework Agreement, the Company will propose the Scheme between the Company and the Scheme Creditors. Upon the Scheme having become effective, the Scheme Claims of all the Scheme Creditors will be discharged and released in full. In return, the Scheme Creditors with the Admitted Scheme Claims under the Scheme will be entitled to receive the Scheme Shares which will be allotted and issued by the Company to the Scheme Company to be held on trust for the benefit of the Scheme Creditors with Admitted Scheme Claims and will only be distributed to the relevant Scheme Creditors after determination and/or adjudication of their Admitted Scheme Claims and after the close of the Offer. In view of the significant balance of the Group's indebtedness (being up to around HK$711 million as at the Relevant Date), the insufficiency of financial resources to settle the outstanding indebtedness and that the Scheme arrangement stated above to orderly release and discharge the Group's indebtedness and liabilities to the Creditors and achieve a full and final settlement of all outstanding indebtedness and liabilities to the Creditors thereby mitigate immediate insolvent liquidation risks of the Company, we agree with the Directors' view that the Scheme is beneficial to the Group and it is fair and reasonable to enter into the Restructuring Framework Agreement.

Our conclusion

Having taking into considerations that:

(i) with reference to the previous sections headed "III. Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement" and "I. Background and financial information of the Group – Our assessment on outlook of the Group" of this letter, we consider that the Company, which is in severe financial distress situation and has insufficient internal financial resources to cover all its liabilities as they became due in the near-term, has an immediate need to undergo a restructuring plan and the Proposed Restructuring is in the interests of the Company and the Shareholders as a whole;

(ii) with reference to the section headed "Financing alternatives" of this letter, we note that debt financing and equity financing alternatives shall not be feasible to the Company with financial distress at the material time whose enquiries for financing had been refused/declined by its principal bank and four other financial institutions as aforementioned. In addition, debt financing is subject to repayment obligations and using funds from new loans to repay existing loans which may not be effective to improve the Group's liability position from a long-term perspective. Equity financing may also not be a feasible option to the Group given its financial distress situation. While both of the Subscribers and Scheme Creditors are still willing to take up the inherent risks to subscribe for the Shares with a net liability position and relatively low trading liquidity, in the absence of other viable financing alternatives. The Proposed Restructuring is therefore considered as the only viable financing option to the Company at the material time;

(iii) comparing to other financing alternatives, Ground Group HK intends to provide support to the implementation of the restructuring plan and the continuous business development of the Group under the Proposed Restructuring, and hence the Subscription provides the Group with aggregate proceeds of HK$39 million which is beneficial to the Group in light of its severe financial distress; and

(iv) it is also noted that the Scheme arrangement enables the Group to orderly release and discharge its indebtedness and liabilities to the Creditors, which were of significant balance and the Group was unable to settle at the material time in light of insufficiency of financial resources;

we agree with the Directors' view that the Proposed Restructuring is an appropriate means of financing for the Group under the destressed situation and entering into of the Restructuring Framework Agreement (including the Subscription and the Scheme) is reasonable and in the interests of the Company and the Shareholders as a whole.

IV. Fund raising activities in the past 12 months

Referring to the Letter from the Board, save for the Restructuring Framework Agreement and the Subscription Agreement, the Company had not conducted any equity fund raising activities in the 12 months immediately preceding the Latest Practicable Date.

V. Principal terms of the Restructuring Framework Agreement

On 15 July 2026, Ground Group HK and the Company entered into the Restructuring Framework Agreement, pursuant to which the Company will implement the Proposed Restructuring, which involves, among others, (i) the Subscription; and (ii) the Scheme. Following the modifications to the terms of the Scheme sanctioned by the Court on 21 July 2026, Ground Group HK and the Company entered into the Supplemental Restructuring Framework Agreement on 20 August 2026 to reflect such modifications and to supplement the Restructuring Framework Agreement accordingly, which is of administrative nature and will not affect the key terms of the Proposed Restructuring. Details of the Restructuring Framework Agreement, together with the detailed arrangements are set out below:

Date

15 July 2026 (as supplemented by the Supplemental Restructuring Framework Agreement dated 20 August 2026)

Parties

(i) the Company; and

(ii) Ground Group HK

Ground Group HK is a company incorporated in Hong Kong and is wholly owned by Jilin Ground Group, which is a company established in the PRC with limited liability and is wholly-owned by Xin Guangze, which is owned as to approximately 75%, 10% and 15% by each of Jilin Guangxun Investment, Jilin Xinquan and Jilin Xinshun, respectively. Jilin Guangxun Investment is owned as to approximately 96.86% and 3.14% by each of Jilin Zexiao and Jilin Tianyi, respectively. As at the Latest Practicable Date, Ground Group HK is ultimately and beneficially owned by Mr. Cui and Mr. Cong with effective shareholding interests of approximately 72.60% and 12.00%, respectively. The remaining approximately 15.40% of the shareholding interests of Ground Group HK are owned by five natural persons who individually holds less than 10% of the interests as at the Latest Practicable Date.

Based on the available books, records and information of the Company and pending determination and/or adjudication of the Admitted Scheme Claims, the total claim amount owed by the Company to Ground Group HK and Ka Yik is HK$403,720,228.11. For details of Ground Group HK, please refer to the section headed "Information of Ground Group HK" in the Letter from the Board.

Funding of the Proposed Restructuring

To proceed with the Proposed Restructuring, on 12 January 2026 (as further supplemented on 15 July 2026), Ground Group HK (as lender) and the Company and Ka Yun (as co-borrowers) entered into the Funding Agreement, pursuant to which, Ground Group HK agreed to grant a credit facility of a total sum of up to HK$39,000,000 to the Group to, among others, facilitate (i) the preparation and implementation of the Proposed Restructuring; (ii) the Group's property development and management and property investment business; and (iii) the working capital of the Group. The term loan facility under the Funding Agreement is interest-free and unsecured, with eighteen months of availability period from the date of the Funding Agreement. As at the Latest Practicable Date, the full amount of HK$39,000,000 has been drawn down.

The Subscription

Pursuant to the Restructuring Framework Agreement and the Subscription Agreement, Ground Group HK shall subscribe for a total of 260,000,000 Subscription Shares at the total subscription price of HK$39,000,000 (representing a subscription price of HK$0.15 per Subscription Share), which shall be satisfied by way of set-off against the outstanding amounts under the Funding Agreement in whole or in part on a dollar-for-dollar basis.

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought for approval from the Independent Shareholders at the SGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The Subscription Shares represent approximately 4.85% of the Enlarged Issued Share Capital (assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and Scheme Shares).

The completion of the Restructuring Transactions shall not result in the Company failing to meet the public float requirements under the Listing Rule. Ground Group HK undertakes that it will, at its own cost and as soon as practicable, dispose of such number of Shares through a placing agent as may be necessary to ensure that the public float requirement under Rule 13.32B of the Listing Rules is maintained and complied with by the Company at all times.

(i) Subscription Price

The Subscription Price of HK$0.15 per Subscription Share under the Subscription represents:

(i) a discount of approximately 75.00% to the closing price of HK$0.600 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 79.17% to the closing price of HK$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 80.21% to the average closing price of HK$0.758 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(iv) a discount of approximately 80.89% to the average closing price of HK$0.785 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;

(v) a premium of approximately HK$1.69 over the Group's audited consolidated net liabilities per Share of approximately HK$1.54 as at 31 March 2026, based on the audited consolidated net liabilities attributable to Shareholders of approximately RMB489.5 million (equivalent to approximately HK$554.6 million) as at 31 March 2026 and 360,181,940 Shares in issue, prior to the allotment and issue of the Subscription Shares and the Scheme Shares; and

(vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 75.32%, represented by the theoretical diluted price of approximately HK$0.192 per Share (based on the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Scheme Shares) to its Rule 7.27B benchmarked price *(note)* of HK$0.778 per Share, taking into account the higher of the closing price on the date of the Subscription Agreement and the Restructuring Framework Agreement of HK$0.720 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Subscription Agreement and the Restructuring Framework Agreement of HK$0.778 per Share. *(Note: referring to Rule 7.27B of the Listing Rules, the "Rule 7.27B benchmarked price" means the higher of: (i) the closing price on the date of the agreement involving the issue; and (ii) the average closing price in the 5 trading days immediately prior to the earlier of: (1) the date of announcement of the issue; (2) the date of the agreement involving the issue; and (3) the date on which the issue price is fixed)*

Referring to the Letter from the Board, the Subscription Price is determined after arm's length negotiation between the Company and Ground Group HK with reference to (i) the net liability position of the Company and the fact that the Company is insolvent; (ii) the loss-making position and the difficulty in obtaining financing from banks and financial institutions to sustain the ongoing operations of the Group; (iii) the market sentiment in relation to investment in listed companies in similar financial situation; and (iv) the prevailing market conditions. The Subscription Price is the same as the Issue Price as they are integral parts of the Proposed Restructuring, where the key terms of the Subscription and the Scheme are inter-related, and thus were negotiated on the same underlying commercial basis as a whole with Ground Group HK and other Creditors.

Scheme

Pursuant to the terms of the Restructuring Framework Agreement, the Company will propose the Scheme between the Company and the Scheme Creditors. Upon the Proposed Restructuring having become effective, the Scheme Claims of all the Scheme Creditors will be discharged and released in full. In return, the Scheme Creditors with the Admitted Scheme Claims under the Scheme will be entitled to receive the Scheme Shares which will be allotted and issued by the Company to the Scheme Company to be held on trust for the benefit of the Scheme Creditors with Admitted Scheme Claims and will only be distributed to the relevant Scheme Creditors after determination and/or adjudication of their Admitted Scheme Claims and after the close of the Offer.

The Scheme is subject to sanction of the Court and shall become effective and legally binding on the Company and all the Scheme Creditors, including those voting against the Scheme and those not voting, if the requisite majority (more than fifty per cent (50%) in number of the Scheme Creditors, representing not less than seventy-five per cent (75%) in value, of the Voting Claims who, either in person (or through electronic means if applicable) or by proxy, attend the Scheme Meeting convened with the leave of the Court) votes in favour of the Scheme which the Court thereafter sanctions and an official copy of the court order sanctioning the Scheme is filed with the Registrar of Companies in Hong Kong. The effectiveness of the Proposed Restructuring is also subject to certain other conditions precedent as detailed in the section headed "Conditions precedent to the Proposed Restructuring" of the Letter from the Board. Under the Scheme, 4,742,453,691 Scheme Shares will be allotted and issued to the Scheme Company, which shall hold the Scheme Shares on trust for the benefit of the Scheme Creditors pending determination and/or adjudication of their Scheme Claims, and the close of the Offer pursuant to the Irrevocable Undertaking. The Scheme has been approved by the requisite statutory majorities of creditors with Voting Claims at the Scheme Meeting held on 8 June 2026.

(i) Issue Price

The Issue Price of HK$0.15 per Scheme Share, which was arrived at assuming there will be in aggregate of approximately HK$711,368,054 of Admitted Scheme Claims after determination and/or adjudication, represents:

(i) discount of approximately 75.00% to the closing price of HK$0.600 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 79.17% to the closing price of HK$0.72 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 80.21% to the average closing price of HK$0.758 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(iv) a discount of approximately 80.89% to the average closing price of HK$0.785 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;

(v) a premium of approximately HK$1.69 over the Group's audited consolidated net liabilities per Share of approximately HK$1.54 as at 31 March 2026, based on the audited consolidated net liabilities attributable to Shareholders of approximately RMB489.5 million (equivalent to approximately HK$554.6 million) as at 31 March 2026 and 360,181,940 Shares in issue, prior to the allotment and issue of the Subscription Shares and the Scheme Shares; and

(vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 75.32%, represented by the theoretical diluted price of approximately HK$0.192 per Share (based on the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares and the Scheme Shares) to its Rule 7.27B benchmarked price of HK$0.778 per Share, taking into account the higher of the closing price on the date of the Subscription Agreement and the Restructuring Framework Agreement of HK$0.720 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Subscription Agreement and the Restructuring Framework Agreement of HK$0.778 per Share.

As disclosed in the Letter from the Board, the Issue Price is determined after arm's length negotiation between the Company and the Creditors with reference to (i) the net liability position of the Company and the fact that the Company is insolvent; (ii) the loss-making position and the difficulty in obtaining financing from banks and financial institutions to sustain the ongoing operations of the Group; (iii) the market sentiment in relation to investment in listed companies in similar financial situation; (iv) the prevailing market conditions; and (v) the 1.26% to 3.31% recovery rate from the Company's assets under liquidation scenario based on the Company's current estimation.

(ii) Scheme Creditors' involvement in negotiation

We were advised by the Board regarding the negotiation process of the Subscription Price and the Issue Price: (i) in December 2025, the Company put forward an indicative price of HK$0.30 per Share as the issue price to both the Concert Party Group and, in parallel, to 13 independent creditors representing approximately 76% of the restructuring debt (excluding the Concert Party Group's own claims). At this stage, creditors were being consulted for feedback on a proposed figure rather than jointly negotiating it; (ii) three named independent creditors 任悦寧, Mr. Zhang (張則文) ("**Mr. Zhang**") and Mr. Zhu (朱軍) ("**Mr. Zhu**") then pushed back substantively: they considered HK$0.30 as the issue price too high relative to the Company's financial position and trading price, with Mr. Zhu specifically counter-proposing first HK$0.01 per Share (rejected by the Company as commercially impracticable) and then HK$0.15 per Share. Mr. Zhang separately raised governance concerns about the Concert Party Group's dual creditor/shareholder role and requested it abstain from voting. The remaining ten independent creditors gave no concrete counter-proposal; (iii) the Concert Party Group (where Ground Group HK is both the sole subscriber and, together with Ka Yik, a connected Scheme Creditor) also independently rejected HK$0.30 per Share and counter-proposed HK$0.15 per Share for both of Subscription Price and Issue Price, considering that it would be unreasonable for a new money investor to pay a higher price per share than the price at which near-worthless debt is being converted into equity; (iv) having weighed both sides of feedback during arm's length negotiations, in particular, Ground Group HK would not accept the Subscription Price to be lower than the Issue Price and certain lead Creditors explicitly expressed that they would not accept the Issue Price to be higher than HK$0.15 and there was no any competing higher-priced proposal at the material time, the Board settled on HK$0.15 per Share as both the Subscription Price and the Issue Price being the same around January 2026; (v) the Independent Restructuring Adviser then formally communicated the finalised terms to all Scheme Creditors; and (vi) at the Scheme Meeting on 8 June 2026, all 22

Scheme Creditors who attended and voted (to the best knowledge and information of the Board, excluding the Concert Party Group who voluntarily undertook to abide by the Scheme and not to vote in the Scheme Meeting; and creditors who abstained from voting (Kingston Securities Limited attended the Scheme Meeting and, at its own discretion, abstained from voting)) approved the Scheme unanimously.

(iii) Other key terms of the Scheme

As disclosed in the section headed "Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement" above, we note that upon Completion, it is anticipated that the Group's remaining liabilities mainly comprise trade and other payables, contract liabilities, and income tax payable and deferred tax. We understand from the Company that such remaining liabilities principally represent ordinary course operating liabilities, including construction cost payables and contract liabilities relating to pre-sold properties expected to be recognised as revenue upon completion and delivery of the relevant property projects, which are expected to be settled from the sale proceeds of the Group's property projects and its working capital, rather than distressed legacy indebtedness. Separately, we note that the Excluded Claims amounted to HK$39,000,000 as at the Latest Practicable Date, being the amount drawn down by the Company under the Funding Agreement, are excluded from the Scheme's scope on the basis that they are to be capitalised into Subscription Shares pursuant to the Subscription rather than compromised under the Scheme. We were further advised by the Company's Hong Kong legal advisors that, as a matter of Hong Kong law, a creditors' scheme of arrangement operates on a single-entity basis. The Scheme is accordingly structured to compromise the unsecured indebtedness of the Company only, being approximately HK$711.4 million in the Admitted Scheme Claims. The remaining liabilities as aforementioned are related to the Group's PRC operating subsidiaries, which are governed by PRC law and cannot be directly compromised by a Hong Kong court-sanctioned scheme, and will continue to be managed at the subsidiary level. Having considered the above, we are of the view that the scope of the Scheme, and the consequential existence of remaining liabilities upon Completion, is reasonable, as (i) the remaining liabilities principally represent ordinary course operating liabilities with identified settlement sources; (ii) the Excluded Claims are narrowly defined; (iii) upon the Scheme having become effective, the Scheme Claims (being any Claim excluding the Excluded Claims) of all the Scheme Creditors will be discharged and released in full; and (iv) this is consistent with the legal framework governing a Hong Kong scheme of arrangement.

We were advised by the Board that the Admitted Scheme Claims at approximately HK$711.4 million will be compromised on a dollar-for-dollar basis by reference to their face value, with no haircut applied to the principal amount, and Scheme Creditors will receive Scheme Shares based on the full face value of their Admitted Scheme Claims at the Issue Price of HK$0.15 per Scheme Share. Notwithstanding the absence of a haircut to face value, we were advised by the Board that (i) the settlement nonetheless involves a substantial economic compromise, as (a) settlement is effected through Scheme Shares rather than cash; and (b) based on the theoretical ex-rights price analysis conducted on 11 May 2026 (being the latest practicable date prior to the printing of scheme document), which reflects the impact of the completion of the Proposed Restructuring on the market price of the Company from a theoretical perspective, the theoretical price per new Share upon Completion would be approximately HK$0.050 (please refer to the calculation of "theoretical ex-rights price" in the note below). Comparing to the Issue Price of HK$0.15, a Scheme Creditor will receive a new Share with the theoretical price per new Share of approximately HK$0.050, representing a recovery of approximately 33.06% and (ii) the Board understood that the Concert Party Group did not expect to accept any nominal haircut on face value for the Proposed Restructuring, accordingly the Board considered a nominal haircut on face value would have significantly reduced the prospects of achieving the requisite statutory majorities at the Scheme Meeting, potentially rendering the Proposed Restructuring unworkable. Having considered the above, we are of the view that the absence of a haircut to the principal amount of the Scheme Claims under the Scheme is commercially justifiable, as (i) the effective economic recovery of approximately 33.06% of their Admitted Scheme Claims already reflects a substantial compromise by the Scheme Creditors; and (ii) the dollar-for-dollar structure was instrumental in securing creditor support, evidenced by the unanimous approval at the Scheme Meeting.

Note: according to the scheme document to the creditors, the calculation of the "theoretical ex-rights price" is the sum of (i) the issuer's total market capitalisation (by reference to the Rule 7.27B benchmarked price and the number of issued shares immediately before the issue); and (ii) the total funds raised and to be raised from the issue, divided by the total number of shares as enlarged by the issue.

Assuming all Subscription Shares and Scheme Shares were allotted and issued in full such that the enlarged issued share capital comprises 5,362,635,631 new Shares, based on: (i) the Company's total market capitalisation on 11 May 2026 of approximately HK$226.9 million (being the latest practicable date prior to the printing of scheme document) by reference to (a) its Rule 7.27B benchmarked price of HK$0.63 per Share on 11 May 2026, taking into account the higher of the average closing price in the 5 trading days immediately prior to 11 May 2026 of HK$0.63 per Share and the closing price on 11 May 2026 of HK$0.61 per Share, and (b) the existing number of issued shares of 360,181,940 Shares on 11 May 2026; (ii) total funds raised and to be raised: (a) the fund raised from the Subscription Shares at HK$0.15 per new Share i.e. approximately HK$39 million; and (b) the Admitted Claims to be set off by the allotment and issue of all the Scheme Shares (i.e. 4,742,453,691 new Shares) at nil consideration in full and final settlement of the Admitted Claims; and (iii) total number of shares as enlarged by the Proposed Restructuring (including the Subscription and the Scheme): 5,362,635,631 new Shares. The theoretical ex-right price per new Share would be approximately HK$0.050.

Assessment on the Subscription Price and the Issue Price

It is noted that the Subscription Price per Subscription Share and the Issue Price per Scheme Share are both of HK$0.15.

(i) *Historical closing price of the Shares*

In order to assess the fairness and reasonableness of the Subscription Price and the Issue Price, being HK$0.15, we have performed a review on the daily closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 16 July 2025, being the twelve-month period immediately preceding the date of the Joint Announcement (i.e. 15 July 2026) and up to and including the Latest Practicable Date (the "**Review Period**").

We consider that the Review Period is adequate, fair and representative to illustrate the historical trend and level of movements in the closing prices of the Shares, reflect prevailing market sentiment, and provide a general overview of the recent price and trading performance of the Shares.

The chart below shows the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period:

Source: the website of the Stock Exchange

We have reviewed the Company's notable corporate events during the Review Period, including but not limited to:

(i) 30 June 2025, the Company announced financial results for the year ended 31 March 2025, where a net loss attributable to owners of at least RMB840.0 million for the year ended 31 March 2025, a significant increase from the RMB193.3 million loss recorded for the year ended 31 March 2024, which were primarily driven by write-down and impairment related to the Fusong Property Project;

(ii) 4 July 2025, the Company proposed to further change the its English and Chinese names to better reflect the direction of the future business plans and development of the Company;

(iii) 28 July 2025, the Company announced to divest certain property projects under tradename "Guangze", which constituted a major transaction under the Listing Rules;

(iv) 18 September 2025, the Company announced to divest certain property projects in Dunhua City, which constituted a discloseable transaction under the Listing Rules;

(v) 30 September 2025, divestment related to the Fusong Property Project was completed, which constituted a very substantial disposal transaction under the Listing Rules;

(vi) 21 November 2025, profit alert was announced where a significant reduction by not less than 90% of net loss attributable to the owners of the Company for the six months ended 30 September 2025, which were primarily driven by the completion of divestment related to the Fusong Property Project;

(vii) 12 January 2026, Ground Group HK, the Company, and Ka Yun entered into the Funding Agreement to facilitate the preparation and implementation of the Restructuring;

(viii) 24 February 2026, the Company has received a court order to convene a Scheme Meeting in early June 2026 for Scheme Creditors to consider the Proposed Restructuring;

(ix) 31 March 2026, the major disposal related to certain property projects under tradename "Guangze" was completed;

(x) 8 June 2026, the Company announced that at the Scheme Meeting was held and the Scheme was approved by the requisite statutory majorities of creditors;

(xi) 22 June 2026, positive profit alert was announced where a profit of not less than approximately RMB110.0 million is expected to record for the year ended 31 March 2026 mainly due to the one-off gain arising from the disposal of project companies and purchase of ginseng assets; and

(xii) 15 July 2026, Ground Group HK and the Company entered into the Restructuring Framework Agreement, pursuant to which the Company will implement the Proposed Restructuring, which involves, among others, (i) the Subscription; and (ii) the Scheme.

As advised by the Management, other than the events mentioned above, the Management is not aware of any events that might lead to the fluctuation trend in the closing prices of the Shares during the Review Period.

Our assessment on the historical closing price of the Shares

During the Review Period, the closing prices of the Shares traded within a range between the lowest closing price at HK$0.42 per Share in mid-May 2026 to the highest closing price at HK$0.92 per Share in late June 2026 with an average closing price of approximately HK$0.70 per Share. The Subscription Price and Issue Price of HK$0.15 per Subscription Share and Scheme Share represent discounts of approximately 83.70%, 64.29% and 78.57% over the highest, lowest and the average closing prices respectively during the Review Period. Furthermore, the Subscription Price and the Issue Price represent a discount of approximately 79.17% over the closing price of HK$0.72 as at the Last Trading Day.

During the initial phase of the Review Period, spanning from July 2025 through March 2026, the Shares traded within a relatively stable band ranging from approximately HK$0.60 to HK$0.85. The period commenced under immediate downward pressure following the profit warning announcement dated 13 June 2025 and the subsequent release of the annual result for the year ended 31 March 2025. Thereafter, the closing price of the Shares consolidated and stabilized at around HK$0.75 level. This might indicate that the market had digested the insolvent position of the Company, pricing in both the Group's strategic efforts to prevent winding-up proceedings through disposal of loss-making and heavily indebted property projects, and the speculative value tied to the potential successful completion of the Proposed Restructuring.

During April and May 2026, the Shares experienced a sharp downturn to a low of HK$0.42 per Share, which might reflect market reactions related to the uncertainties surrounding the restructuring ahead of the court-convened Scheme Meeting in early June 2026, notwithstanding that the Company had successfully decoupled from its distressed real estate liabilities following the disposal of property projects under the tradename "Guangze". Following the announcement made on 8 June 2026 confirming that the Scheme had been approved by the requisite statutory majorities of creditors, the Shares recovered and subsequently reached the highest closing price during Review Period at HK$0.92 per Share on 24 June 2026 after the publication of a positive profit alert announcement. In July 2026, the Shares stabilized at around the HK$0.72 level, demonstrating the market might have adopted a cautious approach regarding the restructuring updates, pending the actual implementation and execution of the Proposed Restructuring.

Following the publication of the Joint Announcement on 15 July 2026, the Shares experienced a sharp downward correction, the closing price of the Shares fell significantly from the pre-announcement level of HK$0.72 per Share to HK$0.45 per Share on 17 July 2026 and stabilized at a range of HK$0.50 per Share to HK$0.60 per Share as at the Latest Practicable Date. This reflected immediate market re-pricing to align with the substantial discount of the transaction terms and structural changes under the Proposed Restructuring.

We acknowledged that the historical closing prices of the Shares had been staying above the Subscription Price and the Issue Price throughout the Review Period and the Subscription Price and the Issue Price represent a significant discount to the average closing prices of the Shares of approximately 78.57% during the Review Period, however we consider that the existing share price performance alone should not be the sole barometer to assess the fairness and reasonableness of the Subscription Price and Issue Price in the Proposed Restructuring given the circumstances of the Company.

We set out below additional factors that were taken into consideration when assessing the fairness and reasonableness of the Subscription Price and Issue Price, apart from the review of historical share price movement:

(i) the Company is in severe financial distress situation and has insufficient internal financial resources to cover all its liabilities as they became due in the near-term as stated in the section headed "I. Background and financial information of the Group – Our assessment on outlook of the Group";

(ii) the relatively thin trading volume of the Shares and there are 56 trading days with no trading volume out of 276 trading days during the Review Period as stated in the section headed "V. Principal terms of the Restructuring Framework Agreement – Assessment on the Subscription Price and the Issue Price – (ii) Historical trading liquidity of the Shares"; and

(iii) imminent need to pursue a restructuring and the absence of other viable financing alternatives as stated in the section headed "III. Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement" to sufficiently resolve the net liabilities position of the Company, while the Proposed Restructuring is considered as an appropriate means of financing for the Group and it is in the interests of the Company and the Shareholders as a whole.

Having taking into account of all other factors mentioned above which are equally important, we are of the view that setting the Subscription Price and Issue Price at a substantial discount to the historical closing prices of the Shares is commercially reasonable to facilitate the successful implementation of the Proposed Restructuring.

(ii) Historical trading liquidity of the Shares

The following table sets out the average daily trading volume of the Shares per relevant month/period, and its respective percentage of the average daily trading volume of the Shares to the total number of issued Shares as at the end of relevant month/period, during the Review Period:

Year/Month	**Total trading volume of the Shares**	**Number of trading days**	**Average daily trading volume of the Shares** *(Note 1)*	**Percentage of average daily trading volume of total issued Shares as at the end of relevant month/period** *(Note 2)*
2025				
July (from 16 July)	1,599,725	12	133,310	0.0370%
August	4,820,015	21	229,525	0.0637%
September	1,286,250	22	58,466	0.0162%
October	3,414,800	20	170,740	0.0474%
November	414,900	20	20,745	0.0058%
December	797,298	21	37,967	0.0105%
2026				
January	818,380	21	38,970	0.0108%
February	314,650	17	18,509	0.0051%
March	522,120	22	23,733	0.0066%
April	223,700	19	11,774	0.0033%
May	3,176,500	19	167,184	0.0464%
June	5,425,760	21	258,370	0.0717%
July	4,458,850	26	171,494	0.0476%
August (to the Latest Practicable Date)	458,530	15	30,569	0.0085%
		Maximum	258,370	0.0717%
		Minimum	11,774	0.0033%
		Average	97,954	0.0272%

Source: the website of the Stock Exchange

Note:

1. Average daily trading volume of the Shares is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

2. The calculation is based on the average daily trading volume of the Shares divided by the total number of the Shares in issue at the end of month/period.

As illustrated above, the average daily trading volume of the Shares per relevant month/period during the Review Period ranged from a low of approximately 11,774 Shares in April 2026 to a high of approximately 258,370 in June 2026 Shares, representing a negligible percentage of the total number of issued Shares as at the end of the relevant month/period, ranging from approximately 0.0033% to approximately 0.0717%. The highest daily trading volume was recorded on 17 July 2026, with approximately 2.86 million Shares traded, representing approximately 0.7940% of the total number of issued Shares, which occurred following the publication of the Joint Announcement. This may represent a brief, event-driven liquidity surge directly triggered by market reactions to the material inside information contained in the Joint Announcement, which is highly unlikely to be sustainable under ordinary open market conditions. It is also noted there were 56 trading days where no trading of the Shares was recorded out of 276 trading days during the Review Period, representing approximately 20% of the total number of trading days.

According to the Management, given the persistently low trading liquidity and the Company's net liability position, the Shares lack an active and robust secondary market. Following arm's length negotiations with the Subscribers and the Scheme Creditors, the Management has advised that it would be highly challenging, if not impossible, to implement the Proposed Restructuring without offering a substantial discount to the prevailing market price of the Shares.

Our assessment on the historical trading liquidity of the Shares

In assessing the reasonableness of the Subscription Price and the Issue Price, we have considered the following factors regarding the trading liquidity of the Shares during the Review Period:

(i) based on the trading volume presented above, we observe that the trading liquidity of the Shares was generally low throughout the Review Period, with the average daily trading volume per month/period representing a negligible percentage of the total number of issued Shares;

(ii) the relatively thin trading volume of the Shares during the Review Period suggests that if the Company were to explore alternative equity fund-raising in the open market to refinance its outstanding indebtedness, potential investors would likely perceive the historical trading liquidity as inadequate. Such thin market depth potentially restricts an investor's ability to dispose of large blocks of shares or realise investment returns without causing downward pressure on the share price; and

(iii) to enhance the attractiveness of the transaction and entice the Subscribers and the Scheme Creditors to participate in the Proposed Restructuring, it is reasonable to expect that they would demand greater incentives. These incentives typically manifest as a substantial discount to the prevailing market price of the Shares to compensate for the underlying liquidity risk and the Company's financial distress.

In light of the thin trading volume, the aforementioned market factors and the absence of other viable financing alternatives to sufficiently resolve the net liabilities position of the Company as discussed in the section headed "Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement" in this letter, we are of the view that setting the Subscription Price and Issue Price at a substantial discount to the historical closing prices of the Shares is commercially justifiable to facilitate the successful implementation of the Proposed Restructuring.

(iii) Comparable companies

Market comparables

In assessing the fairness and reasonableness of the Subscription Price and Issue Price, we have conducted a comparative analysis of the Subscription Price and Issue Price against the prevailing market valuation of industry peers. This was based on the trading multiples of the companies listed on the Stock Exchange which are primarily engaged in business activities similar to those of the Group ("**Market Comparables**").

We have considered three most commonly adopted benchmarks for equity analysis: the price-to-sales ratio ("**P/S ratio**"), the price-to-earnings ratio ("**P/E ratio**"), and the price-to-book ratio ("**P/B ratio**"). Give that the Group recorded net liabilities of approximately RMB489.5 million for the year ended 31 March 2026, the P/B ratio analysis is not applicable. Given that the Group incurred net losses for the years ended 31 March 2024 and 2025, and its profit of approximately RMB122.2 million for the year ended 31 March 2026 was mainly driven by a non-recurring, one-off gain of approximately RMB168.1 million from disposing of project companies and purchasing ginseng assets, the P/E ratio analysis is neither considered applicable. Consequently, we have utilized the P/S ratio as the primary metric for our analysis of the Market Comparables.

Taking into account the principal business nature and the severe financial distress situation of the Company, we have identified the Market Comparables based on the following criteria: (i) companies which are principally engaged in property development and management businesses in the PRC, with such activities accounting for over 70% of total revenue in the latest financial year; (ii) companies whose shares are listed and traded on the Main Board of the Stock Exchange; (iii) companies with a market capitalization of not more than HK$1,000 million as at the Last Trading Day; (iv) companies recording a net liability position as that of the Company during the latest financial year, which is regarded as exhibiting a distressed financial profile similar to that of the Company; (v) companies whose shares were not under trading suspension as at the Last Trading Day. On this basis, we have identified an exhaustive list of 15 Market Comparables that met the aforementioned criteria, details of which are set out in the table below:

#	Company name (stock code)	Principal business	Market capitalisation as at the Last Trading Day *(Note 1)* *HK$'million*	Total revenue for the latest financial year *HK$'million*	Percentage of revenue generated from property development and management *%*	P/S Ratio *(Note 2)* *times*	Net liabilities recorded for the latest financial year *HK$'million*
1	JY Grandmark Holdings Limited (2231)	Principally engaged in property development and sales, hotel operations, property management and commercial property investment in the PRC.	24.69	615.03	94%	0.040	(734.96)
2	Sunshine 100 China Holdings Ltd (2608)	Principally engaged in property and land development, property investment, property management and hotel operation, and light-asset operation in the PRC	25.51	1,920.15	93%	0.013	(9,548.13)
3	Zhenro Properties Group Limited (6158)	Principally engaged in property development and property leasing in the PRC	48.05	10,771.54	99%	0.004	(25,025.52)
4	Redsun Properties Group Limited (1996)	Principally engaged in property development and management services, commercial property investment and operations and hotel operations in the PRC	66.78	4,747.46	94%	0.014	(5,010.15)
5	Ronshine China Holdings Limited (3301)	Principally engaged in property development in the PRC	89.22	7,818.34	94%	0.011	(7,419.67)
6	Times China Holdings Limited (1233)	Principally engaged in the property development, urban redevelopment business and property leasing in the PRC	89.77	3,685.47	82%	0.024	(8,614.53)
7	Central China Real Estate Limited (832)	Principally engaged in property development, property leasing and hotel operations in the PRC	130.68	12,998.66	91%	0.010	(9,420.81)
8	Zhiguang Holdings Group Company Limited (1176)	Principally engaged in property development, property investment, project management, and other property development related services in the PRC	132.76	1,529.78	90%	0.087	(4,699.31)
9	Overseas Chinese Town (Asia) Holdings Limited (3366)	Principally engaged in comprehensive development, equity investment and fund management	160.90	443.08	88%	0.363	(2,160.41)
10	Huijing Holdings Company Limited (9968)	Principally engaged in property development and investment in the PRC	183.89	330.32	90%	0.557	(2,256.62)

#	Company name (stock code)	Principal business	Market capitalisation as at the Last Trading Day *(Note 1)* *HK$'million*	Total revenue for the latest financial year *HK$'million*	Percentage of revenue generated from property development and management *%*	P/S Ratio *(Note 2)* *times*	Net liabilities recorded for the latest financial year *HK$'million*
11	China Aoyuan Group Limited (3883)	Principally engaged in property development and property investments in the PRC	192.81	10,181.22	90%	0.019	(50,209.58)
12	China SCE Group Holdings Limited (1966)	Principally engaged in property development, property investment, property management, project management and land development in the PRC	206.93	40,825.51	98%	0.005	(5,619.96)
13	Redco Properties Group Limited (1622)	Principally engaged in property development, property management services, property investment, project management services and healthcare services in the PRC	607.33	2,638.46	96%	0.230	(6,160.06)
14	Sino-Ocean Group Holding Limited (3377)	The Group is mainly engaged in development of residential property, investment property development and operation, property services and whole-industrial chain construction services, with its scope of businesses also covering senior living service, internet data center, logistics real estate, real estate financing, etc. The Group is one of the leading property developers with developments in key economic regions in the PRC.	607.92	16,321.18	75%	0.037	(739.91)
15	Shimao Group Holdings Limited (813)	The Group is principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the PRC	687.05	31,259.55	87%	0.022	(183.59)
					Maximum	**0.557**	
					Minimum	**0.004**	
					Average	**0.096**	
	The Company	Principally engaged is principally engaged in property development and management, including planning designing, budgeting, licensing, contract tendering and contract administration, property investment and cultivation and sales of ginseng assets in the PRC.	54.03	57.95	100%	0.932 *(Note 3)*	(538.45)

Source: the website of the Stock Exchange

Notes:

1. The market capitalisation of the Market Comparables is computed by multiplying their respective closing share price and the total number of issued shares as at the Last Trading Day as published on the website of the Stock Exchange.

2. For each of the Market Comparables, the P/S ratio is computed by dividing their respective market capitalisation as at the Last Trading Day by the total revenue based on their respective latest published annual results for the year ended 31 December 2025 with an exchange rate of RMB1=HK$1.1 (for illustrative purposes).

3. For the implied P/S ratio of the Company, it is computed based on: (a) the Subscription Price per Share and Issue Price per Scheme Share, being both HK$0.15; (b) 360,181,940 Shares in issue as at the Last Trading Day; and (c) the Group's revenue of approximately RMB52.686 million for the year ended 31 March 2026 with an exchange rate of RMB1=HK$1.1 (for illustrative purpose).

4. Figures are subject to rounding

5. For each of JY Grandmark Holdings Limited, Sunshine 100 China Holdings Ltd, Redsun Properties Group Limited, Central China Real Estate Limited and Shimao Group Holdings Limited we acknowledge that they engaged in hotel operations, which is a business segment different from that of the Company. Nevertheless, given that the revenue derived from their respective hotel operations accounted for less than 10% of their total revenue in the latest financial year, we consider that such operational discrepancies do not compromise the fundamental relevance and representativeness of these Market Comparables.

As illustrated in the above table, the P/S ratios of the Market Comparables ranged from approximately 0.004 times to approximately 0.557 times, with an average of approximately 0.096 times respectively, as of the Last Trading Day. The implied P/S ratio of the Company of 0.932 times is above the range of the P/S ratios of the Market Comparables.

Dilution comparables

Apart from comparison of trading multiples of the Market Comparables, we have also conducted independent research to identify comparable companies listed on the Stock Exchange which conducted transactions comparable to the Proposed Restructuring, involving the issuance or subscription of new shares under a specific mandate relating to a creditors' scheme or debt restructuring, and which triggered an obligation to make a mandatory general offer or involved an application for a whitewash waiver under the Takeovers Code. Details of the analysis have been included in the Dilution Comparables discussed in the later section headed "VI. Potential dilution effect to the existing Shareholders".

Referring to the results of the Dilution Comparables, we note the percentage of discounts of the issue price over their respective Rule 7.27B benchmarked price among the Dilution Comparables ranged from approximately 19.79% to 97.50% with an average of approximately 63.19%, where the Subscription Price and the Issue Price of HK$0.15 represent a discount of approximately 80.72% over its Rule 7.27B benchmarked price of HK$0.778 falling within the range of the Dilution Comparables.

We further note that, unlike the P/S ratio analysis above which is based on the Company's own financial fundamentals relative to industry peers, the discount of the issue price over their respective Rule 7.27B benchmarked price reflects the depth of pricing discount that market participants have been willing to accept in past distressed restructuring transactions, which is a result of each company's specific negotiation with subscribers and creditors (if applicable), funding urgency and investor risk appetite, rather than a direct indicator of a company's underlying value. Having also considered that the Dilution Comparables have different principal business activities, market capitalisations, financial conditions, and trading liquidity as compared to the Company, we consider that the comparison of price discount serves as an alternative reference to support our assessment on the fairness and reasonableness of the Subscription Price and the Issue Price, supplementary to the primary analysis based on the P/S ratio of the Market Comparables above.

(iv) Our assessment on the Subscription Price and the Issue Price

In evaluating the fairness and reasonableness of the Subscription Price and the Issue Price, we have taken into account the following factors:

(i) given the Group's distressed financial position, the persistently thin trading volume of the Shares, and the lack of other viable financing alternatives, a lower market valuation relative to industry peers is considered necessary to incentivise the Subscribers and Scheme Creditors to support the Proposed Restructuring to safeguard the Company's long-term viability;

(ii) taking into consideration the process by which the Subscription Price and the Issue Price were negotiated and determined as discussed in the section headed "Scheme Creditors' involvement in negotiation" above, including (a) the fact that the Company's initial indicative price of HK$0.30 per Share as the issue price was put to both the Concert Party Group and independent creditors representing approximately 76% of the restructuring debt (excluding the Concert Party Group), and was subject to genuine arm's length negotiation rather than being unilaterally fixed; (b) that certain independent Scheme Creditors actively participated in this process, including a counter-proposal for an issue price of HK$0.15 per Share; (c) that the Concert Party Group, notwithstanding its position as the Company's only committed source of new funding, likewise rejected the HK$0.30 per Share proposal and independently arrived at HK$0.15 per Share as the subscription price and the issue price; (d) as advised by the Board, Ground Group HK would not accept the Subscription Price to be lower than the Issue Price and certain lead Creditors explicitly expressed that they would not accept the Issue Price to be higher than HK$0.15; (e) as advised by the Board, there was no competing higher-priced proposal at the material time; and (f) that the finalised Issue Price was subsequently approved unanimously by all Scheme Creditors who attended and voted at the Scheme Meeting, we agree with the Board that this negotiation process, in which both the Concert Party Group and independent Scheme Creditors reached a common position through arm's length bargaining, indicates that the Subscription Price and the Issue Price are the product of genuine commercial negotiation and reflect the best terms the Company could obtain after exhausting alternative financing options;

(iii) regarding that the Subscription Price of HK$0.15 per Subscription Share is the same as the Issue Price of HK$0.15 per Scheme Share, having considered that (a) the Subscription and the Scheme are inter-conditional and form an integrated restructuring package, such that consistent pricing avoids an unexplained difference in value between the consideration paid by Ground Group HK and that ascribed to Scheme Shares issued to Scheme Creditors; (b) as Ground Group HK is both the sole subscriber and, together with Ka Yik, a connected Scheme Creditor, consistent pricing avoids any suggestion that the connected Subscription was priced more favourably than terms extended to independent Scheme Creditors; and (c) the same price was reached through arm's length negotiation involving both the Concert Party Group and independent Scheme Creditors, rather than being unilaterally imposed, we agree with the Board that adopting the same price for the Subscription and the Scheme is fair and reasonable;

(iv) the Company's implied P/S ratio exceeds the range of the P/S ratios of the Market Comparables, which indicates that, notwithstanding the substantial discount to the recent trading price of the Shares, the Subscription Price and the Issue Price do not undervalue the Company relative to how the market currently values comparable distressed PRC property developers;

(v) notwithstanding the limitation on the price discount comparison as discussed above, the discount of the Subscription Price and the Issue Price over its Rule 7.27B benchmarked price falls within the range of the Dilution Comparables; and

(vi) the Subscription Price and the Issue Price of HK$0.15 represents a premium of approximately HK$1.69 over the Group's audited consolidated net liabilities per Share of approximately HK$1.54 as at 31 March 2026.

In light of the above, particularly that the implied trading multiples of the Company under the Proposed Restructuring are favorable compared to those of the Market Comparables, and that the Subscription Price and the Issue Price reflect a substantial premium over the audited net liabilities position per Share, we are of the view that the Subscription Price and the Issue Price of HK$0.15 are fair and reasonable so far as the Independent Shareholders are concerned, and are commercially justifiable.

Our recommendation on the Restructuring Framework Agreement

Taking into account the principal factors and reasons discussed in this letter, we highlight the following key considerations:

(i) the Company is in a position of severe financial distress and lacks sufficient internal financial resources to cover all its liabilities as they became due as stated in the section headed "I. Background and financial information of the Group – Our assessment on outlook of the Group";

(ii) the reasons for and benefits of the Restructuring Framework Agreement as discussed in the section headed "III. Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement" above, in particular, the imminent funding need for the Company to implement its corporate restructuring, to settle its outstanding indebtedness, and restore a sustainable positive net asset position;

(iii) referring to the section headed "III. Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement – Use of proceeds", the Subscription provides the Group with proceeds of HK$39 million as financial support to alleviate the Group's cost burden arisen from the Proposed Restructuring and business operations, which is beneficial to the Group in light of its severe financial distress;

(iv) upon the Scheme becoming effective, the Scheme Claims of all the Scheme Creditors will be discharged and released in full. Given the absence of other viable financing alternatives as discussed in the section headed "III. Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement – Financial alternatives", the Scheme could orderly release and discharge the Group's indebtedness and liabilities to the Creditors and achieve a full and final settlement of all outstanding indebtedness and liabilities to the Creditors thereby mitigate immediate insolvent liquidation risks of the Company. In addition, the scope of the Scheme and the absence of a haircut to the principal amount of the Scheme Claims are considered commercially reasonable, as discussed in the section headed "Scheme – (iii) other key terms of the Scheme" above;

(v) the Subscription Price under the Subscription Agreement and the Issue Price under the Scheme of HK$0.15 are considered fair and reasonable and commercially justifiable based on our analysis as discussed under the section headed "Assessment on the Subscription Price and the Issue Price" above; and

(vi) the potential dilution effect on the shareholding interests of existing other public Shareholders arising from the Proposed Restructuring is considered acceptable under the distressed circumstances as discussed in the section headed "VI. Potential dilution effect to the existing Shareholders" below;

we consider that the terms of the Restructuring Framework Agreement and the transaction contemplated thereunder (including the Subscription and the Scheme) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

VI. Potential dilution effect to the existing Shareholders

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. According to the Letter from the Board, the allotment and issue of the Subscription Shares and the Scheme Shares would result in a theoretical dilution effect of approximately 75.32%. Pursuant to Note 2 to Rule 7.27B of the Listing Rules, we noted that the Company has consulted the Stock Exchange regarding the allotment and issue of the Subscription Shares and the Scheme Shares. The Stock Exchange has agreed that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B, and the Company may proceed with the Subscription and the Scheme on 26 June 2026.

With reference to the shareholding table as set out in the section headed "Effect on the shareholding structure of the Company" from the Letter of the Board, the shareholding interests of the existing other public Shareholders (holding 144,067,559 Shares as at the Latest Practicable Date) would be reduced by approximately 37.31 percentage points from approximately 40.00% to approximately 2.69% immediately after the completion of the Subscription and the allotment and issue of the Scheme Shares, representing a maximum dilution effect of approximately 93.28% of their original shareholding.

In assessing the fairness and reasonableness of the theoretical dilution effect of approximately 75.32% and the maximum dilution effect on the existing other public Shareholders as a result of the Proposed Restructuring, we have conducted independent research to identify comparable companies listed on the Stock Exchange which (i) conducted transactions that involved issuance or subscription of new shares under a specific mandate relating to a creditors' scheme or debt restructuring; (ii) triggered an obligation to make a mandatory general offer or involved an application for a whitewash waiver under the Takeovers Code (this criterion was adopted because a mandatory general offer obligation or a whitewash waiver application typically arises in a creditors' scheme or debt restructuring where a subscriber's or creditor's shareholding increases materially pursuant to a specific mandate, which is comparable to the Proposed Restructuring); (iii) published a circular in relation to their respective transactions during the period from 15 July 2022 to the Last Trading Day, covering a 48-month period (the "**Comparison Period**") and (iv) had been approved by the independent shareholders for their respective transactions as at the Last Trading Day.

Based on our best endeavours and as far as we are aware, an exhaustive list of a total of seven (7) companies (the "**Dilution Comparables**") meeting the aforementioned criteria has been identified to provide a general reference on market practice. We consider this list to be fair, representative and comparable to the Company, taking into account that: (i) they involved comparable type of transaction as that of the Proposed Restructuring, namely the issuance or subscription of new shares under a specific mandate relating to a creditors' scheme or debt restructuring, which facilitates a meaningful comparison; (ii) the Comparison Period represents a reasonable and meaningful timeframe to capture market practice under prevailing market conditions; (iii) a list of seven Dilution Comparables is considered adequate to provide a general reference for comparison purposes, representing all identifiable transactions meeting the aforementioned criteria based on our research, without selective inclusion or exclusion; and (iv) their respective transactions have been approved by the independent shareholders, which provides meaningful market reference to the extent of dilution effect acceptable to the independent shareholders under creditors' scheme or debt restructuring circumstances.

We acknowledge that the Dilution Comparables have different principal business activities, market capitalisations, financial conditions, and trading liquidity compared to the Company. Nevertheless, these discrepancies do not compromise the relevance of the comparison, given that they underwent transactions comparable in nature to the Proposed Restructuring of the Company. Accordingly, we consider the Dilution Comparables adequately demonstrate the general dilution trend for listed companies in Hong Kong executing creditors' scheme or debt restructuring.

Set out below are the results of the Dilution Comparables:

#	Date of circular	Company name (stock code)	Principal business as at the date of circular	Theoretical dilution effect *(Note 3)* *Approximate %*	Maximum dilution effect on the existing other public shareholders *(Note 4)* *Approximate %*	The percentage of shares to be issued	The percentage of premium/ discount of the issue price over their respective Rule 7.27B benchmarked price *(Note 5)* *Approximate %*	Independent shareholders approval status
1	26 May 2026	China Ecotourism Group Limited (1371)	The Group is principally engaged in (i) provision of technology and operation services for lottery systems, terminal equipment and gaming products in the China's lottery market, which covers various lottery products ranging from video lottery, computer-generated ticket games and KENO-type lottery to new media lottery; and (ii) research and development, processing, production and sales of natural and health food.	18.89%	95.49%	95.49%	-19.79%	Approved
2	27 Apr 2026	CA Cultural Technology Group Limited (1566)	The Group is principally engaged in the trading of animation derivative products, establishment and operation of indoor theme parks and multimedia animation entertainment in the PRC, Hong Kong and Japan.	72.66%	92.69%	92.69%	-78.39%	Approved
3	24 Jan 2025	IDT International Limited (167)	The Group is principally engaged in the design, development, manufacturing and sales of electronic products and smart wearable devices, providing fashionable, healthy and intelligent products and service experience, enhancing people's ability to work, live and play, and leading social trends.	40.00%	90.00%	90.00%	-44.44%	Approved
4	30 Nov 2023	SoftMedx Healthcare Limited (648)	The Group is principally engaged in the distribution of medical equipment and products in Hong Kong involving dental equipment and products.	82.70%	84.78%	84.78%	-97.50%	Approved
5	23 Jun 2023	Fullsun International Holdings Group Co., Limited (627) (Note 1)	The Group is principally engaged in the development and sale of residential and commercial properties in the PRC including Hong Kong.	86.09%	92.00%	92.00%	-93.58%	Approved

#	Date of circular	Company name (stock code)	Principal business as at the date of circular	Theoretical dilution effect *(Note 3)* *Approximate %*	Maximum dilution effect on the existing other public shareholders *(Note 4)* *Approximate %*	The percentage of shares to be issued	The percentage of premium/ discount of the issue price over their respective Rule 7.27B benchmarked price *(Note 5)* *Approximate %*	Independent shareholders approval status
6	3 Mar 2023	China Bozza Development Holdings Limited (1069) (Note 2)	The Group is principally engaged in forestry management (i.e. plantation, logging and sale of timber related products), ginseng-related business (i.e. plantation and sale of ginseng) and investment holding.	65.48%	84.61%	84.61%	-77.38%	Approved
7	5 Aug 2022	China Wood International Holding Co., Limited (1822)	The Group is principally engaged in (i) sale and distribution of furniture wood, manufacturing and sales of antique style wood furniture and imported timber flooring processing businesses; and (ii) car rental business in the PRC.	28.10%	90.00%	90.00%	-31.25%	Approved
	Maximum			86.09%	95.49%	95.49%	-19.79%	
	Minimum			18.89%	84.61%	84.61%	-97.50%	
	Average			56.27%	89.94%	89.94%	-63.19%	
	The Company (existing other public shareholders)			75.32%	93.28%	93.28%	-80.72%	

Source: the website of the Stock Exchange

Note:

1. Name of the company has been changed to "Japan Kyosei Group Company Limited" with effect from 23 January 2024 and subsequently changed to "Vision Synergy Holdings Limited" with effect from 20 November 2025.

2. Name of the company has been changed to "China Health Technology Group Holding Company Limited" with effect from 27 November 2023. The issue price of this company used for the calculation of "the percentage of premium/discount of the issue price over their respective Rule 7.27B benchmarked price" represents a share-count-weighted average of the subscription price of HK$0.1288 per share (in respect of 466,000,000 subscription shares) and the scheme price of HK$0.55 per scheme share (in respect of 140,000,000 scheme shares).

3. Theoretical dilution effect refers to the discount of their respective theoretical diluted price to their respective Rule 7.27B benchmarked price.

4. For the Dilution Comparables, it refers to the reduction in the shareholding percentage of the existing other public shareholders arising from the proposed issuance or subscription, divided by their original shareholding percentage. For the Company, the shareholding interests of the existing other public Shareholders (holding 144,067,559 Shares as at the Latest Practicable Date) would be reduced by approximately 37.31 percentage points from approximately 40.00% to approximately 2.69% immediately after the completion of the Subscription and the allotment and issue of the Scheme Shares, representing a maximum dilution effect of approximately 93.28% of their original shareholding.

Based on our analysis of the Dilution Comparables, we note that the theoretical dilution effect among the Dilution Comparables ranged from approximately 18.89% to 86.09% with an average of approximately 56.27%, where the theoretical dilution effect of approximately 75.32% arising from the Proposed Restructuring falls within the range of the Dilution Comparables. For the maximum dilution effect on existing other public shareholdings among the Dilution Comparables, it ranged from approximately 84.61% to 95.49% with an average of approximately 89.94%, where the maximum dilution effect on the existing other public Shareholders of approximately 93.28% arising from the Proposed Restructuring falls within the range of the Dilution Comparables. We further note that all seven Dilution Comparables had obtained the approval of their respective independent shareholders for the relevant transactions, notwithstanding the significant dilution effect involved.

Taking into account the factors including but not limited to:

(i) the Company is in a severe financial distress position and has insufficient financial resources to satisfy its outstanding indebtedness, as evidenced by the going concern issue and disclaimer of opinion given by the Company's auditor, the net liability position of the Group, its lack of immediate liquid financial resources to meet repayment obligations, and the prevailing challenging industry conditions;

(ii) the Proposed Restructuring is considered an appropriate financing mechanism under the circumstances, given the unavailability of other alternative debt or equity financing methods to the Group at the material time, and the potential benefits arising from the Subscription (which provides the Group with new funding) and the Scheme (which enables the Group to orderly release and discharge its indebtedness and liabilities to the Creditors and achieve a full and final settlement of the said), which have been discussed in the section headed "Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement" above;

(iii) the Subscription Price and the Issue Price of HK$0.15 are considered fair and reasonable and commercially justifiable, as discussed in the section headed "V. Principal terms of the Restructuring Framework Agreement – Assessment on the Subscription Price and the Issue Price" above; and

(iv) referring to the analysis of Dilution Comparables, we note that (a) the theoretical dilution effect of approximately 75.32% arising from the Proposed Restructuring also falls within the range of the Dilution Comparables; (b) the maximum dilution effect on the existing other public Shareholders arising from the Proposed Restructuring falls within the range of the Dilution Comparables; and (c) all seven Dilution Comparables had obtained the approval of their respective independent shareholders for the relevant transactions, notwithstanding the significant dilution effect involved. This demonstrates that a comparable level of dilution has previously been considered acceptable by independent shareholders of other listed companies in Hong Kong in the context of a creditors' scheme or debt restructuring, which supports that the dilution level arising from the Proposed Restructuring, albeit substantial, is not without market precedent.

we are of the view that the Company has demonstrated that there are exceptional circumstances for the purpose of Rule 7.27B. Further, we consider that the potential benefits arising from the successful implementation of the Proposed Restructuring (as discussed in the section headed "Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement" above) outweigh the dilution impact on the existing other public Shareholders, and that such dilution level is acceptable so far as the Independent Shareholders are concerned under the Group's current distressed circumstances.

THE SPECIAL DEAL

As at the Latest Practicable Date, each of Ka Yik, Mr. Jiang Jinbo, Mr. Lin Huipeng and Ms. Wang Ting Ting owns 89,739,018 Shares, 31,500,000 Shares, 4,846,250 Shares and 36,000 Shares, representing approximately 24.91%, 8.75%, 1.34% and 0.01% of the issued share capital of the Company. Based on the information available to the Company, the Company is indebted to each of Ka Yik, Mr. Jiang Jinbo, Mr. Lin Huipeng and Ms. Wang Ting Ting of HK$109,261,334.00, HK$19,800,000.00, HK$19,710,000.00 and HK$1,025,000.00, respectively.

As the proposed settlement of the Admitted Scheme Claims (subject to determination and/or adjudication) to Ka Yik, Mr. Jiang Jinbo, Mr. Lin Huipeng and Ms. Wang Ting Ting under the Scheme is not extended to all other Shareholders, the implementation of the Scheme constitutes a special deal under Rule 25 of the Takeovers Code, and thus requires consent of the Executive.

An application has been made to the Executive for the consents to proceed with the Special Deal under Rule 25 of the Takeovers Code. Such consents, if granted, will be subject to (a) the Independent Financial Adviser publicly stating in its opinion that the terms of the Special Deal are fair and reasonable; and (b) approval of the Special Deal by the Independent Shareholders at the SGM, in which (i) the Concert Party Group and (ii) the Shareholders who are involved in or interested in the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Scheme, the Subscription or the Special Deal (including Ka Yik, Mr. Jiang Jinbo, Mr. Lin Huipeng and Ms. Wang Ting Ting) will be required to abstain from voting in respect of the relevant resolution(s).

Save as disclosed above, as at the Latest Practicable Date, based on the information available to the Company, none of the creditors of the Company and their ultimate beneficial owners is a Shareholder.

Taking into account (i) the aforementioned reasons for and benefits of the Restructuring Framework Agreement as detailed in this letter; (ii) our assessment that the terms of the Restructuring Framework Agreement and the transaction contemplated thereunder (including the Subscription and the Scheme) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (iii) our view that entering into the Restructuring Framework Agreement is in the interests of the Company and the Shareholders as a whole; and (iv) the fact that the approval of the Special Deal by the Independent Shareholders is a prerequisite and non-waivable condition precedent for the completion of the Restructuring Framework Agreement, we are of the opinion that the Special Deal is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned, and that the Special Deal is in the interests of the Company and the Independent Shareholders as a whole.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation in respect of the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Subscription and the Scheme, and the Special Deal, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with an interpreted in the full context of this letter):

(i) as stated in the section headed "I. Background and financial information of the Group – Our assessment on outlook of the Group", the Company is in severe financial distress situation and has insufficient internal financial resources to cover all its liabilities as they became due;

(ii) as stated in the section headed "III. Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement" in particular, the imminent funding need for the Company to implement its restructuring plan to settle its indebtedness and restore a positive equity position, the absence of other viable financing alternatives to sufficiently resolve the net liabilities position of the Company, while the Proposed Restructuring is considered as an appropriate means of financing for the Group and it is in the interests of the Company and the Shareholders as a whole;

(iii) as stated in the section headed "III. Reasons for and benefits of the Restructuring Framework Agreement and the Subscription Agreement", we agree that the Subscription provides financial support to the Group to facilitate the debt restructuring and alleviate the Group's cost burden arisen from the Proposed Restructuring and business operations, while the Scheme serves as a realistic arrangement to resolve and achieve a full and final orderly discharge of all outstanding liabilities by the Group to the Creditors, thereby mitigate immediate insolvent liquidation risks;

(iv) as stated in the section headed "V. Principal terms of the Restructuring Framework Agreement – Assessment on the Subscription Price and the Issue Price", taking into reference the historical thin trading liquidity of the Shares, the implied trading multiples of the Company under the Proposed Restructuring are favorable compared to those of the Market Comparables, and that the Subscription Price and the Issue Price reflect a substantial premium over the audited net liabilities position per Share, we consider the Subscription Price under the Subscription Agreement and the Issue Price under the Scheme of HK$0.15 to be fair and reasonable so far as the Independent Shareholders are concerned, and commercially justifiable;

(v) as stated in the section headed "VI. Potential dilution effect to the existing Shareholders", the possible dilution effect on the existing other public Shareholders arising from the Proposed Restructuring falls within the range of the Dilution Comparables, and we consider that the potential benefits arising from the successful implementation of the Proposed Restructuring outweigh the dilution impact on the existing other public Shareholders, rendering such dilution level acceptable under the Company's distressed circumstances; and

(vi) as stated in the section headed "Special Deal" above, our analysis of the fairness and reasonableness of the Special Deal under Rule 25 of the Takeovers Code.

Having considered the cumulative effect of the abovementioned principal factors and reasons, we are of the view that the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Subscription and the Scheme, and the Special Deal on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

We also consider that although the entering into of the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Subscription and the Scheme, and the Special Deal is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole.

We therefore advise the Independent Board Committee and the TC Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Restructuring Framework Agreement and the transactions contemplated thereunder, the Specific Mandate, the Subscription and the Scheme, and the Special Deal.

Yours faithfully,
For and on behalf of
JUN HUI INTERNATIONAL FINANCE LIMITED

Tina Tian
Managing Director

Karol Hui
Executive Director

Note: *Ms. Tina Tian and Ms. Karol Hui are licensed persons and responsible officers of Jun Hui Internation al Finance Limited registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO with over 18 years and 15 years of experience in corporate finance industry respectively.*