INCU Corporate Finance Limited
衍丰企業融資有限公司

31 March 2025

To: The Independent Board Committee and
the Independent Shareholders of
Golden Wheel Tiandi Holdings Company Limited

Dear Sirs or Madams,

PROPOSED RESTRUCTURING INVOLVING, AMONG OTHERS,
(A) THE SCHEME
(B) CONNECTED TRANSACTION – ISSUE OF NEW NOTES AND PROVISION OF FINANCIAL ASSISTANCE
(C) CONNECTED TRANSACTION – ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
(D) CONNECTED TRANSACTION AND VERY SUBSTANTIAL DISPOSAL

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the issue of New Notes, provision of financial assistance, issue of New Shares and the Transfer and the transactions contemplated thereunder (together as the "**Transactions**"), 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 31 March 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As set out in the Announcement, the Company proposed to implement the Proposed Restructuring through the Scheme. As at the Latest Practicable Date, holders representing approximately 94.10% of the aggregate outstanding principal amount of the Existing Debt Instruments have acceded to the RSA. By such accession, the Participating Creditors have undertaken to take all such actions as are necessary to, among other things, vote in favour of the Scheme in respect of the aggregate outstanding principal amount of the Existing Debt Instruments held by them at the Record Time at the Scheme Meeting. The Proposed

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Restructuring involves, among others, (a) the Scheme; (b) the issue of New Notes and provision of financial assistance; (c) the issue of New Shares under the Specific Mandate; and (d) the Transfer.

In addition to the Proposed Restructuring, the Board proposed (i) to implement the Share Consolidation on the basis that every ten (10) issued and unissued Shares of par value of US$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value of US$0.10 each; and (ii) to change the board lot size for trading from 2,000 Existing Shares to 8,000 Consolidated Shares per board lot upon the Share Consolidation becoming effective.

As at the Latest Practicable Date, the Wong Family was interested in Existing Notes of approximately US$14,471,929, Mr. Suwita Janata was interested in Existing Notes of approximately US$215,333 and Mr. Gunawan Kiky was interested in Existing Notes of approximately US$4,385,999. The Wong Family controlled the exercise of approximately 39.29% voting rights at the general meetings of the Company with Mr. Wong Kam Fai and Mr. Wong Kam Keung, Barry who jointly controlled in addition the exercise of approximately 1.65% voting rights at the general meetings of the Company. Mr. Wong Yam Yin, Mr. Wong Kam Fai, Mr. Wong Kam Keung, Barry are each executive Directors and Mr. Suwita Janata and Mr. Gunawan Kiky are each non-executive Directors. Thus, Mr. Wong Yam Yin, Mr. Wong Kam Fai, Mr. Wong Kam Keung, Barry, the Wong Family, Mr. Suwita Janata and Mr. Gunawan Kiky are each connected persons of the Company under Chapter 14A of the Listing Rules. In turn, due to their interest in the Scheme as Participating Creditors directly or interest in Participating Creditors, each of the issue of New Notes, provision of financial assistance, issue of New Shares and the Transfer constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The issue of the New Notes is conditional upon, among others, the passing of the necessary resolution by the Independent Shareholders at the AGM. The provision of the Performance Guarantee under the proposed Management Service Agreements constitutes financial assistance provided by the Company to the Issuer Group under Rule 14.04(1)(e) of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Performance Guarantee exceeds 25% but is less than 75%, the provision of the Performance Guarantee also constitutes a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules. The issue of New Shares will be issued under the Specific Mandate to be sought from the Shareholders at the AGM. The issue of New Shares is conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Shares.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Transfer exceeds 75%, the Transfer also constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules.

As at the Latest Practicable Date, the Wong Family, Mr. Suwita Janata and Mr. Gunawan Kiky was interested in 736,475,600 Shares, 128,539,400 Shares and 86,360,950 Shares, representing approximately 40.94%, 7.14% and 4.80% of the issued share capital of the Company, respectively. The Wong Family, Mr. Suwita Janata and Mr. Gunawan Kiky (including companies controlled by them) are each interested in the Existing Notes and will be issued New Notes and New Shares as part of the Scheme. Accordingly, each of Mr. Wong Yam Yin, Mr. Wong Kam Fai, Mr. Wong Kam Keung, Barry, Mr. Suwita Janata and Mr. Gunawan Kiky, as a Director, has abstained from voting on (and has not been counted in the quorum for) the relevant Board resolutions for approving the issue of New Notes, provision of financial assistance, issue of New Shares and the Transfer. In addition, each of the Wong Family, Golden Wheel Realty Company Limited, Mr. Suwita Janata, Golden Era Forever Holding Company Limited, Golden Joy Forever Holding Company Limited, Mr. Gunawan Kiky and Fire Spark Holdings Limited are required to and will abstain from voting on the resolutions to be proposed at the AGM for approving the issue of New Notes, provision of financial assistance, issue of New Shares and the Transfer.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries and except for the Wong Family, Mr. Suwita Janata and Mr. Gunawan Kiky (including the above companies controlled by them) in relation to the resolutions approving the issue of New Notes, provision of financial assistance, issue of New Shares and the Transfer, no other Shareholder is required to abstain from voting for the resolutions at the AGM.

Except for Mr. Wong Yam Yin, Mr. Wong Kam Fai, Mr. Wong Kam Keung, Barry, Mr. Suwita Janata and Mr. Gunawan Kiky in relation to the resolutions approving the issue of New Notes, provision of financial assistance, issue of New Shares and the Transfer, none of the Directors has a material interest in the above matters and, none of the Director is required to abstain from voting on the board resolutions in relation to the issue of New Notes, provision of financial assistance, issue of New Shares, the Transfer, the Share Consolidation and the Change in Board Lot Size.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Cho Kei, Bonnie, Mr. Li Sze Keung, Ms. Wong Lai Ling and Mr. Chan Chi Wai, has been established to advise the Independent Shareholders regarding the Transactions and as to whether each of the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendation.

We, INCU Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

We have not acted as an independent financial adviser and not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Transactions, and accordingly, are eligible to give independent advice and recommendations on the Transactions. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, financial information of the Group for the year ended 31 December 2024 provided by the management of the Company and as set out in the Appendix V to the Circular (the "**Financial Information 2024**") and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2023 (the "**Annual Report 2023**"). We have also discussed with the Directors and the management of the Company in respect of the reasons for and benefits of the Transactions. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Transactions, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

(a) Background of the Group

The Company is an investment holding company, and its subsidiaries established in the PRC are primarily engaged in property development, property leasing and hotel operation.

As stated in the Letter from the Board, the Company was incorporated in 2012 and based in Nanjing with a primary focus on the Chinese market, and has successfully extended its operations to eight cities spanning two provinces, including Nanjing, Yangzhou, Suzhou, Wuxi, Changzhou and Lianyungang in Jiangsu Province, as well as Changsha and Zhuzhou in Hunan Province. Adhering to the corporate culture of "making life more enjoyable through people-oriented principle, prudent yet enterprising spirit, integrity and pragmaticism", the Company, as a builder, is full of enthusiasm and eager to create a harmonious, healthy and enjoyable life for people.

(b) Financial performance of the Group

Set out below is a summary of the financial performance of the Group for the two financial years ended 31 December 2023 ("**FY2023**") and 31 December 2024 ("**FY2024**") respectively as extracted from the Annual Report 2023 and Financial Information 2024:

	FY2023 *approximately* *RMB'000* (audited)	**FY2024** *approximately* *RMB'000* (audited)
Revenue		
Property development	2,134,213	569,405
Property leasing	147,080	126,613
Hotel operation	106,227	100,358
Total revenue	**2,387,520**	**796,376**
Gross profit/(loss)	**71,354**	**(27,382)**
Loss before taxation	**(859,939)**	**(777,176)**
Loss for the year attributable to the owners of the Company	**(1,035,100)**	**(823,936)**

The revenue of the Group was approximately RMB796.38 million for FY2024, representing a decrease of approximately RMB1,591.14 million or 66.6%, as compared with the revenue of approximately RMB2,387.52 million for FY2023. The revenue of the property development business accounted for approximately 89.4% and 71.5% of the total revenue of the Group for FY2023 and FY2024 respectively. The decrease in revenue was mainly due to the decrease in revenue of property development resulted from the weak economic recovery and the decline in the real estate market in the PRC leading to the decrease in sale of properties of the Group.

The Group recorded gross loss of approximately RMB27.38 million for FY2024 as compared with the gross profit of approximately RMB71.35 million for FY2023. The gross loss of the Group for FY2024 was mainly due to the gross loss from the property development of the Group as a result of the reduction of sales prices in order to boost sales volume and increase impairment loss of inventory.

The loss attributable to the owners of the Company decreased by approximately RMB211.16 million or 20.4% from approximately RMB1,035.10 million for FY2023 to approximately RMB823.94 million for FY2024. Such decrease was mainly due to combined effect of (i) the decrease in revenue as mentioned above; (ii) the increase in loss from change in fair value of investment properties of approximately RMB335.02 million; (iii) the decrease in finance costs of approximately RMB251.21 million; and (iv) the decrease in net amount of other income, expenses, gains and losses of approximately RMB 146.02 million.

(c) Financial position of the Group

Set out below is the consolidated statement of financial position of the Group as at 31 December 2023 and 31 December 2024 respectively as extracted from the Annual Report 2023 and Financial Information 2024:

	As at 31 December 2023 *approximately RMB'000* (audited)	**As at 31 December 2024** *approximately RMB'000* (audited)
Non-current assets		
Property, plant and equipment	460,541	412,869
Investment properties	4,181,858	3,726,537
Interests in associates	84,960	54,435
Interests in joint ventures	430,247	413,990
Other financial assets	142,164	165,855
Restricted bank deposits	24,333	9,355
Deferred tax assets	53,594	77,790
Total non-current assets	**5,377,697**	**4,860,831**
Current assets		

	As at 31 December 2023 *approximately RMB'000* (audited)	As at 31 December 2024 *approximately RMB'000* (audited)
Properties under development for sale	1,106,666	1,289,595
Completed properties for sale	2,399,091	1,165,005
Contract assets	434	836
Trade and other receivables	499,181	595,582
Land appreciation tax and income tax prepaid	52,700	80,444
Restricted bank deposits	352,708	28,413
Cash and cash equivalents	209,263	97,876
Total current assets	**4,620,043**	**3,257,751**
Total assets	**9,997,740**	**8,118,582**
Current liabilities		
Trade and other payables	2,486,183	1,892,970
Contract liabilities	437,395	184,584
Rental received in advance	23,802	27,696
Lease liabilities	52,344	42,866
Bank loans	699,265	489,041
Current taxation	495,336	589,878
Senior notes	3,304,806	3,354,557
Financial guarantee contracts	280,976	306,983
Total current liabilities	**7,780,107**	**6,888,575**
Non-current liabilities		
Lease liabilities	97,600	83,242
Bank loans	326,400	217,368
Deferred tax liabilities	826,816	739,700
Total non-current liabilities	**1,250,816**	**1,040,310**
Total liabilities	**9,030,923**	**7,928,885**
Net current liabilities	**(3,160,064)**	**(3,630,824)**
Net assets	**966,817**	**189,697**
Current ratio	**0.59**	**0.47**
Debt to asset ratio	**86.0%**	**95.4%**
Gearing ratio	**387.3%**	**2,069.3%**

As shown in the above table, non-current assets of the Group decreased by approximately RMB516.87 million or 9.6% from approximately RMB5,377.70 million as at 31 December 2023 to approximately RMB4,860.83 million as at 31 December 2024. The decrease in non-current assets was mainly due to the decrease in the fair value of the investment properties.

The current assets of the Group decreased by approximately RMB1,362.29 million or 29.5% from approximately RMB4,620.04 million as at 31 December 2023 to approximately RMB3,257.75 million as at 31 December 2024. The decrease in current assets was mainly due to (i) the sale of completed properties by the Group to generate revenue leading to the decrease in the amount of completed properties for sale; and (ii) the decrease in revenue as discussed above leading to the decrease in cash and cash equivalents.

The current liabilities of the Group decreased by approximately RMB891.53 million or 11.5% from approximately RMB7,780.11 million as at 31 December 2023 to approximately RMB6,888.58 million as at 31 December 2024. Such decrease was mainly due to the settlement of trade and other payables during FY2024.

The non-current liabilities of the Group decreased by approximately RMB210.51 million or 16.8% from approximately RMB1,250.82 million as at 31 December 2023 to approximately RMB1,040.31 million as at 31 December 2024. Such decrease was mainly due to the decrease in deferred tax liabilities and the settlement of certain bank loans during FY2024.

The senior notes of approximately RMB3,354.56 million in the financial statements of the Group as at 31 December 2024 represent the Existing Notes, which were issued in 2022 with original principal amount of approximately US$494.67 million and interest rate of 10% per annum payable semi-annually and have matured as at the Latest Practicable Date. As at 31 December 2024, the Group failed to repay an accumulated interest of approximately US$94.6 million on the senior notes and failed to redeem 45% of the principal amount of the senior notes.

Due to the decrease in non-current assets and current assets as discussed above, the net assets of the Group of approximately RMB966.82 million as at 31 December 2023 decreased to approximately RMB189.70 million as at 31 December 2024. The debt to asset ratio of the Group, which was calculated by total indebtedness minus contract liabilities divided by total assets, increased from approximately 86.0% as at 31 December 2023 to approximately 95.4% as at 31 December 2024 and the gearing ratio, which was calculated by dividing the interest-bearing liabilities net of bank deposits and cash by the total equity, increased from approximately 387.3% as at 31 December 2023 to approximately 2,069.3% as at 31 December 2024.

According to the our discussion with the auditors of the Company, the auditors of the Company have indicated material uncertainty relating to going concern of the Group in respect of the financial statements of the Group for FY2024 after considering the following events:

(i) Included in the current liabilities, the bank loans are cross-defaulted bank loans with an aggregate carrying amount of approximately RMB335,962,000 as of 31 December 2024, which became repayable on demand. Those cross-defaulted bank loans were secured by the Group's assets with an amount of approximately RMB2,063,972,000 and the related banks have the right to sell, transfer or otherwise dispose of any of those assets if the Group cannot repay the loans upon request. As at Latest Practicable Date, the Group continues to be in cross-default and the banks have not demanded immediate repayment of these bank loans;

(ii) As at 31 December 2024, the Group failed to repay an accumulated interest of US$91,907,000 (equivalent to approximately RMB660,660,000) on the senior notes during FY2024 and failed to redeem 45% of the principal amount of approximately US$494,667,000 (equivalent to approximately RMB3,354,557,000) of the senior notes during FY2024. Such non-payment has caused an event of default itself. As at the Latest Practicable Date, the senior notes together with the financial guarantee contracts related to other defaulted bank loans of approximately RMB306,983,000 were undergoing a consensual restructuring of the Group's indebtedness;

(iii) As at 31 December 2024, the Group had investment properties, completed properties for sale and properties under development for sale of approximately RMB3,726,537,000, RMB1,165,005,000 and RMB1,289,595,000, respectively. The current volatility in the real estate industry may place increasing difficulty for the Group and may undermine the Group's ability to generate sufficient cash flows from its future operations to meet its financing obligations and the Group's ability to renew existing facilities or source new funding.

In view of these circumstances, the Directors have given consideration to the future liquidity of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As discussed with the management of the Company, the Directors have reviewed the Group's cash flow projections prepared by the management, which covers a period of at least 18 months from 31 December 2024. Certain plans and measures have been taken to mitigate the liquidity pressures and to improve its financial position which include, but not limited to, the following:

(i) the Company has entered into the RSA and proposed to implement the Proposed Restructuring;

(ii) the management was also negotiating with the lenders of the borrowings and creditors for the extension of repayments of those borrowings and trade and other payables to a date when the Group has adequate working capital to serve the repayments; and

(iii) the Group was working diligently to assess and improve its liquidity position. In order to generate sufficient cash flows to meet its obligations, the Group will continue its efforts to obtain additional funds by equity financing and long-term debt financing to finance the Group's working capital and the repayment of existing debts when they fall due and formulate and closely monitor business strategy for the Group to generate cash flows from its existing operations including expediting sales of properties and investment properties, and collection of receivables, while maintaining more stringent cost control measures of containment of discretionary capital expenditures.

After considering that (i) the Group was in net current liabilities position as at 31 December 2024; (ii) the Group has failed to meet the repayment schedules and/or loan covenants of the Existing Loan and Existing Notes leading to an event of default; (iii) other than the Existing Loan and Existing Notes, the Group had other bank loans and trade payables to be repaid and under negotiation; (iv) the auditors of the Company have indicated material uncertainty relating to going concern of the Group in respect of the financial statements of the Group for FY2024; (v) the cash and cash equivalents of Group of approximately RMB97.88 million as at 31 December 2024 was not sufficient to cover the total bank borrowings and senior notes amounted to approximately RMB4,060.97 million as at 31 December 2024; (vi) the financial effect of the Proposed Restructuring as further discussed in the section headed "11. Financial effects of the Transfer and the Proposed Restructuring" below in this letter; (vii) limited fund raising alternatives available to the Group as discussed in the section headed "12. Reasons for and benefits of the possible transactions in connection with the Proposed Restructuring" below in this letter; and (viii) all outstanding principal amount of the New Notes shall be cancelled and all accrued and unpaid interest on the New Notes shall be waived under the terms of the New Notes if all assets of the Issuer Group (including the Specified Assets) are disposed within the 5 years tenor period of the New Notes, we concur with the view of the Directors that the Proposed Restructuring could assist the Company to stabilise the financial position and formulate a long-term financially viable solution for the Group from the pressure of its indebtedness.

2. The Proposed Restructuring

As set out in the Announcement, the Company proposed to implement the Proposed Restructuring through the Scheme. As at the Latest Practicable Date, holders representing approximately 94.10% of the aggregate outstanding principal amount of the Existing Debt Instruments have acceded to the RSA. By such accession, the Participating Creditors have undertaken to take all such actions as are necessary to, among other things, vote in favour of the Scheme in respect of the aggregate outstanding principal amount of the Existing Debt Instruments held by them at the Record Time at the Scheme Meeting.

The Proposed Restructuring involves, among others, (a) the Scheme; (b) the issue of New Notes and provision of financial assistance; (c) the issue of New Shares under a Specific Mandate; and (d) the Transfer.

The Proposed Restructuring is conditional upon the following conditions being satisfied or waived, prior to or on the RED:

(a) the obtaining of all relevant regulatory, corporate and any other third party approvals or other consents (including any necessary shareholders approval that may be required under the Listing Rules applicable for a very substantial disposal transaction) as are necessary for the Proposed Restructuring to take effect, including without limitation,

   (i) approval in-principle or conditional approval for the listing and quotation of the New Notes on the SGX-ST or another internationally recognized exchange;

   (ii) listing approval or conditional listing approval and unconditional shareholders' approval for the New Shares to be issued; and

   (iii) any board approvals of the Company and its subsidiaries that may be required to consummate the Proposed Restructuring;

(b) the settlement in full of all professional fees associated with the Proposed Restructuring that the Company is obligated to pay under the terms of the Scheme;

(c) payment of the consent fee to the Participating Creditors in accordance with the terms of the RSA;

(d) each major restructuring document being in agreed form;

(e) the Company announcing the date set for the RED;

(f) compliance by the Company with the terms of the Term Sheet in all material aspects; and

(g) the satisfaction of each of the other conditions precedent contained in the scheme documents relating to the Scheme (including but not limited to the sanction of the Scheme (with or without modification) by the relevant court) and the occurrence of the Scheme Effective Date.

Conditions (a), (c), (d), (e) and (f) can be waived by the Company and the Majority Ad Hoc Group. Conditions (b) and (g) cannot be waived. The Company will not waive Condition (a).

The RED shall occur within 10 business days after the above conditions having been satisfied or waived (as applicable), and in any event on or prior to the Longstop Date.

As at the Latest Practicable Date, none of the conditions above had been satisfied or waived (as applicable).

3. The Scheme

(a) Restructuring consideration

As part of the restructuring consideration and in exchange for the discharge and release of the Group's obligations under the Existing Debt Instruments in accordance with the Scheme, New Notes and New Shares will be issued to the Scheme Creditors on the RED.

Under the Proposed Restructuring, the proposed value of each Scheme Creditor's entitlement for the purpose of distribution of the restructuring consideration and the corresponding restructuring consideration are as follows:

	The value of each Scheme Creditor's entitlement	Form of restructuring consideration
1	The Existing Principal Amount	New Notes will be issued in an aggregate principal amount equal to the Existing Principal Amount held as at the Record Time
2	The Accrued Interest	New Shares will be issued and allocated pro rata to the Accrued Interest of the Existing Debt Instruments held as at the Record Time

(b) Status

An order dated 12 March 2025 has been granted by the Hong Kong High Court to convene the Scheme Meeting for the purpose of Scheme Creditors considering and, if thought fit, approving (with or without modification) the Scheme. The sanction hearing at which the Hong Kong High Court will determine whether or not to sanction the Scheme is scheduled to be held on 24 June 2025.

(c) Information on the existing debt under the Scheme and debtholders

The Scheme Creditors comprise the persons who hold beneficial interests as principal (or, with respect to the Existing Loan, legal and beneficial interest) the following instruments as at the Record Time for the Scheme:

(i) the Existing Loan, being the facility entered into by Golden Wheel Bright Jade Company Limited *(Note)* as the borrower and the Company as guarantor, among others, in respect of a US$50,000,000 term loan facility made by certain financial institutions as lenders with the maturity date (after extension) being 31 October 2022, of which the aggregate principal amount of US$40,000,000 is outstanding as at the date of the RSA; and

(ii) the Existing Notes, being the New York law-governed 10.0% senior notes due April 2025 issued by the Company, of which the aggregate principal amount of US$466,662,503 is outstanding as at the date of the RSA.

Note: Golden Wheel Bright Jade Company Limited was a subsidiary of the Company at the time of entering into the facility. However, following the appointment of receivers and the Group's lost of control, Golden Wheel Bright Jade Company Limited and its subsidiaries ceased to be subsidiaries of the Company in accordance with its accounting treatment.

As at the Latest Practicable Date, the Wong Family was interested in Existing Notes of approximately US$14,471,929, Mr. Suwita Janata was interested in Existing Notes of approximately US$215,333 and Mr. Gunawan Kiky was interested in Existing Notes of approximately US$4,385,999. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date and except for the Wong Family (including the company controlled by it, Golden Wheel Realty Company Limited), Suwita Janata and Gunawan Kiky, each of the Scheme Creditors was independent of (i) the Company; and (ii) connected persons of the Company. The Company does not expect that any additional creditors to be included in the Scheme (if any) would be a connected person of the Company.

Accordingly, the Wong Family, Mr. Suwita Janata and Mr. Gunawan Kiky (including companies owned by them) and other Scheme Creditors will be issued New Notes and New Shares as part of the Scheme as further discussed below. Based on their respective interests in Existing Notes discussed above, assuming the Share Consolidation becomes effective and subject to final determination of the Scheme Creditors' claims by the chairperson of the Scheme Meeting, the Wong Family, Mr. Suwita Janata and Mr. Gunawan Kiky are expected to be allotted and issued a total of 967,786 New Shares, 14,400 New Shares and 293,306 New Shares, respectively, under the Scheme.

4. The issue of New Notes and provision of financial assistance

(a) The issue of New Notes

Subject to the occurrence of the RED, the Issuer will issue the New Notes in an aggregate principal amount equal to the outstanding principal amount of the Existing Debt Instruments held by the Scheme Creditors as at the Record Time, which is expected to be US$506,662,503.

The Issuer is a company incorporated in the BVI and wholly-owned by the Company. As part of the Proposed Restructuring, (i) the Company proposed to transfer the entire equity interest of the Specified Assets as at the RED to Golden Wheel Diamond as an asset holding company, and in return Golden Wheel Diamond will allot and issue its shares to the Company; and (ii) the Company will then transfer 95% of the interest of Golden Wheel Diamond held by it to the Issuer, and in return the Issuer will allot and issue its shares to the Company. Golden Wheel Diamond will be owned as to 95% by the Issuer and 5% by the Company. Under the terms of the Term Sheet, in the event that the RED has not occurred by 30 September 2025, the Company shall procure that an amount equal to 95% of the Net Cash Proceeds generated from

GW Binary Star and GW New Metro during the period from 1 October 2025 to the RED be deposited in a designated account on or prior to the RED solely for the repayment of the New Notes.

As stated in the Letter from the Board, in the event that all assets of the Issuer Group are disposed of within the 5 years tenor period of the New Notes and all relevant Net Cash Proceeds are insufficient for full redemption of the New Notes, then any outstanding principal amount of the New Notes shall be cancelled, all accrued and unpaid interest on the New Notes shall be waived under the terms of the New Notes (for further details, please refer to item (c) in the paragraph headed "Designated Account, Cash Sweep and Mandatory Redemption" under the principal terms of the New Notes below). Otherwise, in the event that the Issuer fails to redeem the New Notes within the 5 years tenor period, it would constitute an event of default under the New Notes and holders of the New Notes may claim against the Issuer and the Issuer Group in accordance with the terms of the New Notes and related security documents including the guarantees and collateral mentioned below. The Remaining Group has no obligations in respect to the repayment of the New Notes, notwithstanding its undertaking to pay the Issuer as described in the paragraph headed "(c) Company's undertaking for repayment of Project Loan" below, which is expected to be a source of fund for the Issuer to repay the New Notes. The Remaining Group's obligation to pay the Issuer under such undertaking will only be triggered when certain triggering events occurs or if any Net Cash Proceeds generated from GW International Plaza are used for repayment of the Project Loan.

The following is a summary of the principal terms of the New Notes:

Issuer	:	The Issuer
Original Issue Date	:	Expected to be the RED
Total Issue Size	:	US$506,662,503, being the expected outstanding principal amount of the Existing Debt Instruments held by all Scheme Creditors as at the Record Time
Tenor	:	5 years from the original issue date
Interest	:	The New Notes will bear interest from and including the RED or from the most recent interest payment date to which interest has been paid or duly provided for, payable annually in arrears, at 1% per annum, either in cash or in kind at the election of the Issuer, subject to the terms of the New Notes.

New Notes Subsidiary Guarantees	:	The New Notes Subsidiary Guarantors shall guarantee the obligations of the Issuer under the New Notes. The Issuer and the relevant New Notes Subsidiary Guarantor shall use reasonable endeavors to complete any registration or procure the completion of any registration in the PRC (to the extent required) with respect to such guarantees to be provided.
Collateral	:	The New Notes shall initially be secured by the following collateral on a *pari passu* basis: • first ranking security over all shares of the Golden Wheel Diamond held by the Company and the Issuer as of the RED • first ranking security over all shares of the New Notes Subsidiary Guarantors held by the Issuer or another New Notes Subsidiary Guarantor • first ranking mortgage over GW Binary Star and GW New Metro On the RED, the Issuer shall cause Golden Wheel International Corporation Limited, Golden Wheel International Creation Company Limited and Golden Wheel International Investment Limited to enter into pledge agreements with a collateral agent to pledge their respective shares in Nanjing Golden Wheel Real Estate Development Company Limited* (南京金輪房地產開發有限公司), Nanjing Pearl Golden Wheel Realty Company Limited* (南京明珠金輪置業有限公司) and Nanjing Jade Golden Wheel Realty Company Limited* (南京翡翠金輪置業有限公司) and cause Nanjing Golden Wheel Real Estate Development Company Limited* (南京金輪房地產開發有限公司) and Nanjing Pearl Golden Wheel Realty Company Limited* (南京明珠金輪置業有限公司) to enter into pledge agreements with a collateral agent to pledge their respective interest in GW New Metro and GW Binary Star to secure the New Notes.

* *For identification purpose only*

Designated Account, Cash Sweep and Mandatory Redemption : (a) 95% of the Net Cash Proceeds generated from the Specified Assets on or after the RED, including those from the operations of and disposal of the Specified Assets, shall be deposited into a designated offshore bank account as soon as reasonably practicable and within 90 days of receipt of such Net Cash Proceeds by any member of the Issuer Group, subject to compliance with applicable laws, rules, regulations, policies or measures and the receipt of all relevant regulatory, judicial and/or governmental approvals (as applicable). The Issuer shall procure to remit the remaining 5% of the Net Cash Proceeds to the Company for repayment of the Project Loan for so long as the Project Loan remains outstanding. After the full repayment of the Project Loan and release of the mortgage over GW International Plaza, the Company may use the remaining 5% of the Net Cash Proceeds at its sole discretion.

(b) Any Net Cash Proceeds in the designated account shall, within 45 days after such proceeds have been deposited into the designated account in accordance with (a) above (such 45-day period, the "**Allocation Period**"), be used to: (1) pay the principal of and/or interest on, the New Notes, in each case, that has become due and payable or will become due and payable during the Allocation Period, or (2) redeem the New Notes at a redemption price equal to 100% of the principal amount of the New Notes redeemed plus accrued and unpaid interest on the New Notes redeemed up to but excluding the relevant redemption date in accordance with the terms of the New Notes, to the effect that upon such allocation, the Net Cash Proceeds in the designated account shall be reduced to zero; provided, however, that the Issuer may, but shall not be obligated to, use such Net Cash Proceeds in accordance with this paragraph (b) if the total Net Cash Proceeds in the designated account as of the beginning of the Allocation Period does not exceed RMB17 million or its US$ equivalent.

(c) After (i) all funds in the designated account and the required proportion of all Net Cash Proceeds that have not been deposited in the designated account have been used for the payment of interest on and principal of the New Notes or redemption of the New Notes in accordance with the terms of the New Notes; and (ii) disposal of all assets in the Issuer Group (including but not limited to the Specified Assets but excluding the equity interest in the Issuer Subsidiaries and Excluded Assets), any outstanding principal amount of the New Notes shall be cancelled, all accrued and unpaid interest on the New Notes shall be waived and no New Notes shall remain outstanding.

Optional Redemption : The Issuer may at its option redeem the New Notes at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of the New Notes plus accrued and unpaid interest up to but excluding the relevant redemption date of the New Notes redeemed.

Events of Default : The events of default under the New Notes are expected to include, default in the payment of principal of the New Notes, default in the payment of interest on any Notes, defaults in the performance of or breaches any other covenant or agreement under the terms of the New Notes and default by the Company of the guarantee provided by the Company, subject to qualifiers, thresholds and carve-outs to be agreed.

Corporate Governance and Excluded Assets : The Ad Hoc Group shall be entitled to nominate three directors to the board of the Issuer and each Issuer Subsidiary and a legal representative to each Issuer Subsidiary incorporated in the PRC. For so long as the New Notes are outstanding, the nominated directors shall be entitled to certain rights to, among others, supervise the relevant asset manager in connection to the daily operation of and any sale, transfer or other disposition of one or more Specified Assets on or after the issue date of the New Notes by the Issuer and Issuer Subsidiaries, as well as certain rights to monitor cash sweep, redemption or repurchase of the New Notes by the Issuer and Issuer Subsidiaries.

The directors nominated by the Ad Hoc Group can be replaced annually through a voting mechanism where holders of at least 10% of the outstanding principal amount of the New Notes may nominate candidates. All holders of the New Notes will then vote to elect three Noteholder Directors from a candidate pool, which includes both new nominees and existing directors. The three candidates with the highest votes will be appointed as directors.

The Company shall be entitled to appoint one director to the board of each of the Issuer and Issuer Subsidiaries. The board of directors of each of the Issuer and Issuer Subsidiaries shall comprise four directors and the quorum for a meeting of such board is three.

In the event that the New Notes is fully redeemed or otherwise cancelled, the nomination rights of the Ad Hoc Group will immediately terminate and the composition of the directors to the board of each of the Issuer and Issuer Subsidiaries may be changed in accordance with applicable laws and their respective constitutional documents.

The Excluded Assets (or the right of use or other economic interest in the Excluded Assets) have been disposed of or pledged to or may be disposed of or pledged to third parties. The Issuer Group shall not be entitled to any economic interest in the Excluded Assets, and shall not be liable for any cost or expenses (including any tax payment or tax liability) related to the disposal or release of the Excluded Assets.

Transfer Restrictions : The New Notes and the New Notes Subsidiary Guarantees will not be registered under the Securities Act or any securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Ranking of the New Notes	:	The New Notes are general obligations of the Issuer and are guaranteed by the New Notes Subsidiary Guarantors on a senior basis, subject to certain limitations. The New Notes will (a) rank senior in right of payment to obligations of the Issuer expressly subordinated in right of payment to the New Notes; (b) rank at least *pari passu* in right of payment with all unsecured, unsubordinated indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law); and (c) be effectively subordinated to the other secured obligations, if any, of the Issuer to the extent of the value of the assets serving as security therefor (other than certain collateral securing the New Notes).
Listing	:	The Issuer will apply for the listing and quotation of the New Notes on the SGX-ST or another internationally recognized exchange.

(b) Management Service Agreements

In connection to the Scheme, the Company shall enter into a management service agreement for a period of three years in relation to managing each Specified Asset. Each of these three management service agreements will be entered into between the Company, with a property manager (which may be an affiliate of the Company or an independent third party designated by the Company) and the company holding the relevant Specified Asset on or prior to the RED. Pursuant to the Management Service Agreements, the Company shall provide a performance guarantee (the "**Performance Guarantee**") that prior to the sale of such Specified Asset, the annual rental income generated from such Specified Asset for each fiscal year ending after the RED shall be no less than 70% of the rental income of the Specified Assets for the fiscal year ending on or immediately before the RED (the "**Guaranteed Income Amount**"). If the actual annual rental income generated from such Specified Asset for a fiscal year is less than the Guaranteed Income Amount, the Company shall pay the shortfall amount to the relevant holding company of such Specified Asset within 10 days after the finalization of the audit report for such fiscal year of such holding company. The audit report for a fiscal year for each company holding a Specified Asset shall be finalized within 30 days after the end of such fiscal year. The Performance Guarantee constitutes financial assistance provided by the Company to the Issuer Group.

The Performance Guarantee is not for a fixed period but instead will continue until the sale of the Specified Assets and as long as the Management Service Agreements subsist. If the Management Service Agreements expire, the parties will negotiate on whether the Management Service Agreements (including the Performance Guarantee) should be renewed. The historical annual rental income of the Specified Assets for FY2023 and FY2024 was approximately RMB56 million and RMB55 million, respectively.

If the actual annual rental income for such Specified Asset for a fiscal year is at least 10% higher than the rental income of the Specified Assets for the fiscal year ending on or immediately before the RED, the relevant holding company of such Specified Asset shall pay an incentive to the property manager equal to 10% times the result of the actual annual rental income of the Specified Assets minus the rental income of the Specified Assets for the fiscal year ending on or immediately before the RED. Notwithstanding the foregoing, the Company shall not be responsible for any negative impact on rental income by any force majeure event (i.e. events that prevent the relevant party from performing its obligations by any reason beyond such party's control which is expected to include, among others, acts of God, flood, pandemic, epidemic, war (whether declared or undeclared), terrorism, riot, rebellion and civil commotion).

The company holding the relevant Specified Asset shall have the right to terminate the relevant Management Service Agreement in order to facilitate the sale of a Specified Asset or when the Performance Guarantee is breached.

The duration of the Management Service Agreements of three years was arrived at after arm's length negotiations between the Company and the Ad Hoc Group taking into account, among others (i) expected timeline for disposal of the Specified Assets within three years; and (ii) flexibility to change the property manager taking into account the performance of the existing property manager and then circumstances. Having considered that shorter Management Service Agreements (including the Performance Guarantee) relative to the tenor of the New Notes is beneficial to the Group and provides it with greater flexibility, the Directors consider the terms of the Management Service Agreements are fair and reasonable.

We have obtained the list of the tenancy agreements of the Specified Assets as provided by the management of the Company. For our due diligence purpose, we have reviewed samples copies of the tenancy agreements of the Specified Assets, which were selected based on the materiality of the annual rental income as set out in the list of tenancy agreements of the Specified Assets. The samples under review represent top 5 tenancy agreements of each Specified Assets (i.e., 15 samples in total). We are of the view that the selection basis and sample copies reviewed are fair and representative in view of materiality. From our sample review, we note that, except for one sample, all of the sample tenancy agreements under review have lease period of five to ten years. Out of the 15 samples that we have reviewed, except for three samples ending in 2026 and one sample ending in 2027, all of the sample tenancy agreements will expire beyond 2027. However, as discussed with the Directors, the occupancy rate of the Specified Assets in terms of the GFA has been over 85% as at 31 December 2023 and 31 December 2024. Therefore, the Directors expected those tenancy agreements would be renewed or replaced by new lease based on their experience. Based on the Company's substantial experience in real estate industry and the stable historical annual rental income of the Specified Assets of approximately RMB56 million and RMB55 million for FY2023 and FY2024, respectively, the Company is willing to provide the Performance Guarantee, (which is estimated to be maximum amount of approximately RMB39 million) relating to the annual rental income generated from such Specified Asset for each fiscal year ending after the RED until the sale of such Specified Asset.

After reviewing the selected samples of tenancy agreements and considering (i) the going concern issue of the Group as discussed in the section headed "1. Background and financial information of the Group" above in this letter; (ii) limited fund raising alternatives available to the Group as discussed in the section headed "12. Reasons for and benefits of the possible transactions in connection with the Proposed Restructuring" below in this letter; (iii) the historical occupancy rate of the Specified Assets over 85% as at 31 December 2023 and 31 December 2024; (iv) the stable historical rental income of the Specified Assets of approximately RMB56 million and RMB55 million for FY2023 and FY2024 respectively; and (v) the Performance Guarantee forms part of the Proposed Restructuring, which aims to relief the financial pressure on the Group, the Performance Guarantee is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(c) Company's undertaking for repayment of Project Loan

There is an existing loan facility entered into between the Company and financial institution which is secured by, among others, a mortgage over GW International Plaza. It is proposed that a new loan facility will be entered into between the Company and the financial institution prior to the RED (i.e. the Project Loan) to refinance such existing loan facility. Prior to entering into the Project Loan, the Company will continue to repay the existing loan facility with the Group's internal resources. In accordance with the Scheme, the Company will also provide an undertaking to the Scheme Creditors in connection with the Project Loan.

Pursuant to such undertaking, the Company will repay, refinance or extend or procure the repayment, refinancing or extension of the Project Loan in full and procure the release of all security interest on the GW International Plaza granted to secure the Project Loan within 36 months after the RED.

In the event that (a) the Company fails to repay, refinance or extend or procure the repayment, refinancing or extension of the Project Loan within 36 months after the RED such that the security interest on the GW International Plaza granted for the benefit of the Project Loan is not fully released within such period, or (b) the GW International Plaza has been disposed of by the Project Loan lender as a result of an enforcement action (each of (a) and (b), a "**Triggering Event**"), the Company shall remit or procure the remittance of an amount equal to, in the case of (a), any amount that remains payable under the Project Loan or, in the case of (b), the amount of Net Cash Proceeds from disposal of the GW International Plaza used to repay the Project Loan, to the designated account within 10 business days after the occurrence of a Triggering Event, provided that if the aggregate amount outstanding under the Project Loan is equal to or less than RMB50 million at the end of the 36th month after the RED in the case of (a), the Company shall have a 6-month grace period to repay, refinance or extend or procure the repayment, refinancing or extension of the Project Loan in full and procure the release of the security interest on the GW International Plaza granted to secure the Project Loan.

On each anniversary of the issue date of the New Notes, in the event that any Net Cash Proceeds generated from GW International Plaza are used for repayment of the Project Loan during the 12-month period immediately preceding such anniversary, the Company shall pay or procure the payment of an amount equal to 95% of such amount to the Issuer during the 12-month period immediately preceding such anniversary. This amount will be used for repayment of the principal and/or interest on the New Notes. The Company undertakes to procure that at least 90% of the net proceeds generated from a certain project held by the Group will be used to repay the Project Loan.

5. Our assessment on the terms of the New Notes

In assessing the fairness and reasonableness of the terms of the New Notes, including the interest rate and term to maturity, we have conducted independent search for the issue and subscription of new notes/bonds, which (i) are announced by the company that are listed on the Stock Exchange; (ii) the term to maturity shall be at least one year; (iii) are as part of a debt restructuring exercise; (iv) are not involved in any acquisition transactions; and (v) the new notes/bonds are not convertible into any equity securities. Based on these criteria and the public information available on the Stock Exchange's website, to the best of our endeavours, we have identified an exhaustive list of a total of 5 debt restructuring transactions that involved issue and subscription of new notes/bonds (the "**Comparable Transactions**") during the period from 24 January 2023 to the date of the Announcement (the "**Comparable Period**"), representing approximately two years prior to the date of the Announcement. We consider that the Comparable Period is appropriate (a) to reflect the prevailing market conditions and sentiments in the Hong Kong capital market; (b) to provide a general reference of the recent issue and subscription of new notes/bonds being conducted by the companies listed in Hong Kong that were under debt restructuring; and (c) to generate a reasonable and meaningful number of samples for the purpose of our analysis. We also consider that the terms of the Comparable Transactions were determined under similar market conditions and sentiment, and hence represent fair and representative samples and provide a general reference of this type of transaction in the market. Therefore, we consider them to be an appropriate basis to assess the fairness of the terms of the New Notes.

Set out below is the analysis of the Comparable Transactions:

Date of announcement	Stock code	Company name	Connected transactions (Yes/No)	Principal amount	Interest rate	Term to maturity (years)
13 December 2024	813	Shimao Group Holdings Limited	Yes	US$600,000,000	2.00%	9.5
20 August 2024	1638	Kaisa Group Holdings Ltd.				
		– Tranche A	No	US$400,000,000	5.00% to 6.50% *(Note 1)*	3.0

Date of announcement	Stock code	Company name	Connected transactions (Yes/No)	Principal amount	Interest rate	Term to maturity (years)
		– Tranche B	No	US$600,000,000	5.25% or 6.25% *(Note 1)*	4.0
		– Tranche C	No	US$1,000,000,000	5.50% or 6.50% *(Note 1)*	5.0
		– Tranche D	No	US$1,200,000,000	5.75% or 6.75% *(Note 1)*	6.0
		– Tranche E	No	US$1,800,000,000	6.00% or 7.00% *(Note 1)*	7.0
		– Tranche F	No	Depends on the allocation among the scheme creditors	6.25% or 7.25% *(Note 1)*	8.0
18 July 2024	3377	Sino-Ocean Group Holding Limited	Yes	Up to US$2,200,000,000	3.00%	3.0 to 8.0 *(Note 2)*
2 July 2023	3883	China Aoyuan Group Limited				
		– Aoyuan New Notes	No	US$500,000,000	5.50%	8.0
		– Aoyuan Perpetuals	No	US$1,600,000,000	nil to 9.00% *(Note 3)*	perpetual
		– Add Hero Notes (Tranche A)	No	US$650,000,000	7.50%	3.0 to 6.0 *(Note 4)*
		– Add Hero Notes (Tranche B)	No	US$500,000,000	8.00%	7.0
		– Add Hero Notes (Tranche C)	No	US$650,000,000	8.80%	8.0

Date of announcement	Stock code	Company name	Connected transactions (Yes/No)	Principal amount	Interest rate	Term to maturity (years)
28 March 2023	1918	Sunac China Holdings Limited				
		– Tranche A	No	US$500,000,000	5.00%	2.0
		– Tranche B	No	US$500,000,000	5.25%	3.0
		– Tranche C	No	US$1,000,000,000	5.50%	4.0
		– Tranche D	No	US$1,500,000,000	5.75%	5.0
		– Tranche E	No	US$1,500,000,000	6.00%	6.0
		– Tranche F	No	US$1,000,000,000	6.25%	7.0
		– Tranche G	No	Up to US$1,000,000,000	6.50%	8.0
		– Tranche H	No	Remaining restructuring consideration	6.50%	9.0
				Maximum	**9.00%**	**perpetual**
				Minimum	**2.00%**	**2.0**
24 January 2025	**1232**	**The Company**	**Yes**	**US$506,662,503**	**1.00%**	**5.0**

Notes:

1. The interest rates of the notes of Kaisa Group Holdings Ltd. vary due to (i) whether all interest with respect to such interest payment period is paid in cash or whether any portion of interest with respect to such interest payment period is paid in kind; and/or (ii) whether the original maturity is extended or not (if applicable).

2. The notes of Sino-Ocean Group Holding Limited would be redeemed under the agreed repayment schedule from 36 months to 96 months after the issue date (subject to extension up to 120 months after the issue date upon the occurrence of deferral triggering events (if any)).

3. The interest rates of the perpetual notes of China Aoyuan Group Limited will increase under the agreed schedule according to the terms of the notes.

4. The tranche A of the "Add Hero Notes" of China Aoyuan Group Limited would be redeemed in accordance the following schedule:

   - principal amount of US$150 million plus accrued and unpaid interest thereon will be redeemed 3 years from the issue date;

   - principal amount of US$200 million plus accrued and unpaid interest thereon will be redeemed 5 years from the issue date; and

   - principal amount of US$300 million plus accrued and unpaid interest thereon will be redeemed 6 years from the issue date.

Based on the above information, we note that:

(i) the interest rate of the Comparable Transactions ranged from 2.00% to 9.00%; and

(ii) the term to maturity of the Comparable Transactions ranged from 2 years to perpetual.

Among the Comparable Transactions, there are two connected transactions, which are the new notes/bonds issued by Shimao Group Holdings Limited and Sino-Ocean Group Holding Limited. The new notes issued by Shimao Group Holdings Limited have an interest rate of 2.00% per annum and a tenor of 9.5 years while the new notes issued by Sino-Ocean Group Holding Limited have an interest rate of 3.00% per annum and shall be repaid within 3 to 8 years after issue date (subject to extension up to 10 years after issue date upon the occurrence of deferral triggering events (if any)).

In addition, among the Comparable Transactions, we note that there were haircuts in the total restructuring consideration of the restructuring proposal of Shimao Group Holdings Limited, Kaisa Group Holdings Ltd. and China Aoyuan Group Limited. However, we consider that any haircut in the restructuring consideration in a restructuring case depends on the arm's length negotiation between the listed company and its creditors. The structure of the restructuring proposal may differ on a case-by-case basis. The above Comparable Transactions analysis aims to provide a general reference of the recent issue and subscription of new notes/bonds being conducted by the companies listed in Hong Kong that were under debt restructuring. As such, the haircut amount in the restructuring consideration is not included in the Comparable Transactions analysis.

After considering that (i) the Proposed Restructuring, which the issue of the New Notes forms part of, is a long-term financially viable solution to relieve the Group's financial pressure; (ii) according to the terms of the New Notes, if all assets of the Issuer Group (including the Specified Assets) are disposed within the 5 years tenor period of the New Notes, all outstanding principal amount of the New Notes shall be cancelled and all accrued and unpaid interest on the New Notes shall be waived under the terms of the New Notes, regardless whether the net proceeds from the disposal are lower than the outstanding principal amount and accrued and unpaid interest of the New Notes, as further discussed in the section headed "12. Reasons for and benefits of the possible transactions in connection with the Proposed Restructuring" below in this letter; (iii) the issue price of the New Shares in the Proposed Restructuring represents a very high premium to the closing price of the Shares as further discussed in the section headed "6. The issue of New Shares" below in this letter; and (iv) the interest rate of the New Notes is below that of the Comparable Transactions and the term to maturity of the New Notes is within the range of the term to maturity of the Comparable Transactions, regardless Comparable Transactions to either connected persons or independent third parties, we consider that the terms of the New Notes are fair and reasonable.

6. The issue of New Shares

Subject to the occurrence of the RED, the Company will issue the New Shares to the Scheme Creditors allocated pro rata to the Accrued Interest held by the Scheme Creditors as at the Record Time, which is expected to be US$94,611,941 (subject to final determination of the Scheme Creditors' claims by the chairperson of the Scheme Meeting).

A total of 305,196,000 New Shares (or 30,519,600 New Shares assuming the Share Consolidation becomes effective) is expected to be issued representing approximately 16.96% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 14.50% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares.

The New Shares have an aggregate nominal value of US$3,051,960 prior to the Share Consolidation and market value of HK$18,311,760 based on the closing price of HK$0.060 per Share as quoted on the Stock Exchange on the date of the Announcement.

(a) Issue price of the New Shares

Pursuant to the Scheme, the Company will issue the New Shares to Scheme Creditors at an issue price of approximately HK$2.418 per New Share (equivalent to approximately HK$24.18 per New Share after the Share Consolidation becoming effective). Given that the amount of Accrued Interest is contingent upon the final determination of the Scheme Creditors' claims by the chairperson of the Scheme Meeting, and whereas the number of New Shares remains fixed, the issue price may be subject to adjustment based on said determination. The issue price of the New Shares represents:

(i) a premium of approximately 3,620.0% to the closing price of HK$0.065 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a premium of approximately 3,620.00% to the closing price of HK$0.065 per Share as quoted on the Stock Exchange on the date of the RSA;

(iii) a premium of approximately 3,930.00% to the closing price of HK$0.060 per Share as quoted on the Stock Exchange on the date of the Announcement;

(iv) a premium of approximately 3,800.00% to the average closing price of approximately HK$0.062 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Announcement;

(v) a premium of approximately 3,930.00% to the average closing price of approximately HK$0.060 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately preceding the date of the Announcement;

(vi) a premium of approximately 4,142.11% to the average closing price of approximately HK$0.057 per Share as quoted on the Stock Exchange for the thirty consecutive trading days of the Shares immediately preceding the date of the Announcement; and

(vii) a premium of approximately HK$2.474 to the Group's audited net liabilities per Share of approximately HK$0.056, which is calculated based on the audited consolidated net liabilities attributable to owners of the Company of approximately RMB93,396,000 (equivalent to approximately HK$99,933,720) as at 31 December 2024 extracted from the Financial Information 2024 divided by 1,799,020,000 issued Shares as at the Latest Practicable Date.

The issue price of New Shares was determined after arm's length negotiation between the Company and the Ad Hoc Group having considered, and with reference to, among others, (i) the issuance of New Shares representing approximately 14.50% of all the issued ordinary shares of the Company on a fully diluted basis being accepted as one of the feasible ways of implementing the Proposed Restructuring; and (ii) the amount of Accrued Interest which is expected to be settled by in exchange for the issue of New Shares.

The net price per New Share after the deduction of the relevant expenses incidental to the Scheme is estimated to be approximately HK$2.41 per Share.

The issue of the New Shares is to set off the Accrued Interest in accordance with the Scheme. As such, no proceeds will be received by the Company from the issue of the New Shares.

(b) Specific Mandate

The New Shares will be issued under the Specific Mandate to be sought from the Shareholders at the AGM. The issue of the New Shares is conditional upon, among others, the passing of the necessary resolutions by the Independent Shareholders at the AGM and the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Shares.

(c) Conditions to the issue of New Shares

The issue of New Shares is conditional upon the following conditions being satisfied:

(i) the conditions precedent to the Proposed Restructuring having been satisfied (or waived);

(ii) the passing of necessary resolutions by the Independent Shareholders at the AGM approving the issue of New Shares and the transactions contemplated thereunder; and

(iii) the granting of the approval for the listing of and permission to deal in the New Shares by the Listing Committee of the Stock Exchange.

The issue of New Shares will not occur if any of the conditions above is not satisfied. As at the Latest Practicable Date, none of the conditions has been satisfied.

(d) Completion date

The New Shares shall be allotted and issued in accordance with the Scheme on the RED.

(e) Application for listing

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

(f) Ranking of the New Shares

The New Shares, when allotted and issued, will be free of all encumbrances and rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the New Shares.

7. Our assessment on the issue price of the New Shares

In assessing the fairness and reasonableness of the issue price of the New Shares, we have primarily taken into account (i) the financial position of the Group, which has been discussed in the section headed "1. Background and financial information of the Group" above in this letter; (ii) the historical Shares price performance; and (iii) the market comparables in respect of recent issue of new shares of listed companies as discussed below.

(a) Review on the historical price of the Shares

We have reviewed the chart illustrates the historical daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 24 January 2024 (being the approximately twelve months prior to the date of the Announcement) up to and including the date of the Announcement (the "**Review Period**"). We consider that the Review Period is adequate as it represents a reasonable period to reflect a general overview of the recent price movement of the Shares. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

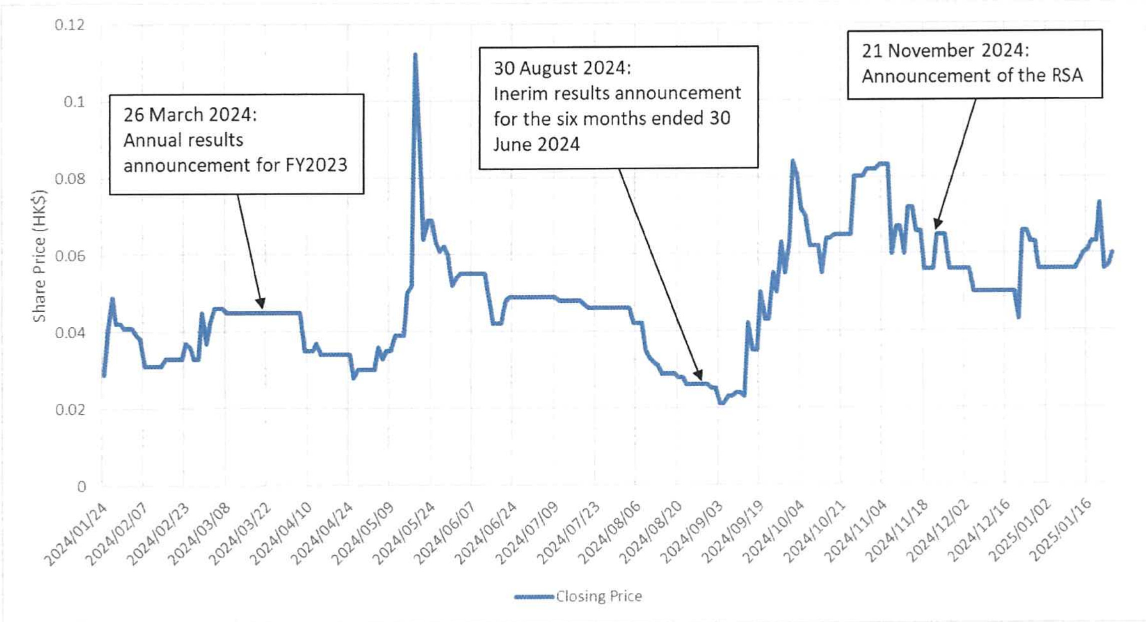

Chart 1: Historical closing price of the Shares during the Review Period

Source: website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the closing price of the Shares has been fluctuated between the lowest of HK$0.021 per Share on 3 September 2024 and 4 September 2024 and the highest of HK$0.112 per Share on 20 May 2024, with an average closing price of HK$0.048 per Share. As advised by the Directors, they are not aware of any specific reasons for the aforesaid closing price fluctuation of the Shares during the Review Period. The issue price of approximately HK$2.418 per New Share is out of the range of but represents a very high premium over the daily closing prices of the Shares during the Review Period, which is approximately 4,937.5% over the average closing price of the Shares during the Review Period.

(b) Comparison with recent issue of new shares of listed companies

We have conducted independent search for the issue of new shares, which (i) the issuers are listed on the Stock Exchange, of which the shares were not in prolonged suspension on the date of the relevant announcement; (ii) involved issue of new shares under specific mandate as part of a debt restructuring exercise; (iii) were not part of consideration in merger and acquisition and were not issued under the conversion of convertible securities or share scheme; and (iv) excluded issues and subscription of A shares and domestic shares that are not trading on the Stock Exchange. Based on these criteria and the public information available on the Stock Exchange's website, to the best of our endeavours, we have identified an exhaustive list of a total of 6 transactions of issue of new shares (the "**Comparable Issue of New Shares**") during the Comparable Period. We consider that the Comparable Period is appropriate (a) to reflect the prevailing market conditions and sentiments in the Hong Kong stock market; (b) to provide a general reference of the recent issue of new shares being conducted by the companies listed in Hong Kong that were under debt restructuring; and (c) to generate a reasonable and meaningful number of samples for the purpose of our analysis. We also consider that the Comparable Issue of New Shares were determined under similar market conditions and sentiment, and hence represent fair and representative samples and provide a general reference of this type of transaction in the market. Therefore, we consider them to be an appropriate basis to assess the fairness of the issue price of the New Shares.

Set out below is the analysis of the Comparable Issue of New Shares:

Date of announcement	Stock code	Company name	Connected transactions (Yes/No)	Premium/(discount) of issue price over/(to) the closing price on the date of the respective announcement	Premium/(discount) of issue price over/(to) the average closing price for the last five consecutive trading days prior to the date of the respective announcement
29 November 2024	1638	Kaisa Group Holdings Ltd.	No	(45.65)%	(47.09)%
28 November 2024	1011	China NT Pharma Group Company Limited	Yes	6.45%	13.79%
31 October 2024	1628	Yuzhou Group Holdings Company Limited	No	1,499.25%	1,541.20%
25 January 2024	39	China Beidahuang Industry Group Holdings Limited	No	14.94%	21.07%
31 May 2023	6908	HG Semiconductor Limited	No	(57.67)%	(48.05)%
15 March 2023	1566	CA Cultural Technology Group Limited	No	(78.39)%	(77.63)%
			Maximum	**1,499.25%**	**1,541.20%**
			Minimum	**(78.39)%**	**(77.63)%**
			Average	**223.16%**	**233.88%**
			Median	**(19.60)%**	**(16.65)%**
24 January 2025	**1232**	**The Company**	**Yes**	**3,930.00%**	**3,800.00%**

As set out in the above table,

(i) the premium/(discount) of the issue price over/to the closing price on the date of the respective announcement of the Comparable Issue of New Shares ranged from a discount of approximately 78.39% to a premium of approximately 1,499.25%, with an average of a premium of approximately 223.16% and a median of a discount of approximately 19.60%; and

(ii) the premium/(discount) of the issue price over/to the average closing price for the last five consecutive trading days prior to the date of the respective announcement of the Comparable Issue of New Shares ranged from a discount of approximately 77.63% to a premium of approximately 1,541.20%, with an average of a premium of approximately 233.88% and a median of a discount of approximately 16.65%.

Among the Comparable Issue of New Shares, only the issue of new shares by China NT Pharma Group Company Limited is connected transaction. The issue price of the New Shares is higher than the premium of the new shares issued by China NT Pharma Group Company Limited, which is approximately 6.45% and 13.79% over the closing price on the date of the respective announcement and the average closing price for the last five consecutive trading days prior to the date of the respective announcement respectively.

The premium of the issue price of the New Shares is higher than the maximum premium of the issue price of the Comparable Issue of New Shares over the closing price on the date of the respective announcement and the average closing price for the last five consecutive trading days prior to the date of the respective announcement, regardless the Comparable Issue of New Shares is connected transaction or not. Therefore, the premium of the issue price of the New Shares is more favourable than the Comparable Issue of New Shares.

As the Accrued Interest is expected to be settled by in exchange for the issue of New Shares, we consider that the issue of the New Shares with the abovementioned issue price is in the interests of the Company and the Shareholders as a whole.

8. Effects on the shareholding structure of the Company

The table below illustrates the shareholding structure of the Company: (a) as at the Latest Practicable Date; (b) assuming immediately upon the Share Consolidation becoming effective; and (c) assuming the Share Consolidation becoming effective and immediately upon the allotment and issue of the New Shares. The table further assumes that there is no other change in the issued share capital of the Company or the interests of the connected persons of the Company in Existing Notes from the Latest Practicable Date up to the date of the issue of the New Shares.

	As at the Latest Practicable Date		**Immediately upon the Share Consolidation becoming effective**		**Assuming the Share Consolidation becoming effective and immediately upon the allotment and issue of the New Shares**	
	Number of Shares interested	*Approx. %*	*Number of Shares interested*	*Approx. %*	*Number of Shares interested*	*Approx. %*
Wong Family *(Notes 1 & 5)*	736,475,600	40.94	73,647,560	40.94	74,615,346	35.46
Tjie Tjin Fung *(Note 2)*	80,268,950	4.46	8,026,895	4.46	8,026,895	3.81
Suwita Janata *(Notes 3 & 5)*	128,539,400	7.14	12,853,940	7.14	12,868,340	6.12
Gunawan Kiky *(Notes 4 & 5)*	86,360,950	4.80	8,636,095	4.80	8,929,401	4.24
Other Shareholders	767,375,100	42.66	76,737,510	42.66	105,981,618	50.37
	1,799,020,000	**100.00**	**179,902,000**	**100.00**	**210,421,600**	**100.00**

Notes:

(1) Shares owned by the Wong Family consist of:

(i) 706,785,600 shares held by Golden Wheel Realty Company Limited, a company controlled by Mr. Wong Yam Yin and his family. Mr. Wong Yam Yin and Ms. Hung So Ling are husband and wife. Mr. Wong Kam Fai and Mr. Wong Kam Keung, Barry are sons of Mr. Wong Yam Yin and Ms. Hung So Ling. Mr. Wong Yam Yin, Mr. Wong Kam Fai, Mr. Wong Kam Keung, Barry are each executive Directors; and

(ii) 29,690,000 Shares jointly owned by Mr. Wong Kam Fai and Mr. Wong Kam Keung, Barry.

(2) Shares owned by Mr. Tjie Tjin Fung consist of 80,268,950 shares held by Chun Hung Investments Limited, a company owned by Mr. Tjie Tjin Fung and his family.

(3) Shares owned by Mr. Suwita Janata consist of:

(i) 80,268,950 shares held by Golden Era Forever Holding Company Limited, a company wholly owned by Mr. Suwita Janata; and

(ii) 48,270,450 shares held by Golden Joy Forever Holding Company Limited, a company wholly owned by Ms. Julia Oscar. Mr. Suwita Janata is the husband of Ms. Julia Oscar and a brother-in-law of Mr. Wong Yam Yin.

(4) Shares owned by Mr. Gunawan Kiky consist of:

(i) 80,268,950 shares held by Fire Spark Holdings Limited, a company owned by Mr. Gunawan Kiky and his family; and

(ii) 6,092,000 shares held by Mr. Gunawan Kiky.

(5) The number of New Shares actually received by the Wong Family, Mr. Suwita Janata and Mr. Gunawan Kiky will be subject to final determination of the Scheme Creditors' claims by the chairperson of the Scheme Meeting. The number of Shares of the Wong Family, Mr. Suwita Janata, Mr. Gunawan Kiky and other Shareholders assuming the Share Consolidation becoming effective and immediately upon the allotment and issue of the New Shares as disclosed in the Announcement have been revised in the Circular based on the latest estimations as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, based on the disclosure of interests filings on the Company that were publicly available on the Disclosure of Interests Online (DION) System, except for the Wong Family (including company which it controls, Golden Wheel Realty Company Limited) and Mr. Suwita Janata, no other Scheme Creditor had reported any notifiable interest in 5% or more of the shares of the Company under Part XV of the SFO.

Although the issue of the New Shares will dilute the shareholding of the existing Shareholders, the issue of the New Shares forms part of the Proposed Restructuring to refinance the Group's indebtedness. The shareholding of the Shareholders other than Wong Family, Mr. Tjie Tjin Fung, Mr. Suwita Janata and Mr. Gunawan Kiky will increase from 42.66% as at the Latest Practicable Date to 50.37% upon the Share Consolidation becoming effective and the completion of the issue of the New Shares, while the shareholding of Wong Family, Mr. Tjie Tjin Fung, Mr. Suwita Janata and Mr. Gunawan Kiky will decrease as set out in the above table.

After considering that (i) the number of New Shares only represents approximately 16.96% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 14.50% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares; (ii) the Accrued Interest will be settled by the issue of the New Shares, which will reduce the liabilities of the Group; and (iii) the premium of the issue price of the New Shares is more favourable than the Comparable Issue of New Shares as discussed in the section headed "7. Our assessment on the issue price of the New Shares" above in this letter, we consider that the dilution effect to the existing Shareholders is acceptable.

9. The Transfer

As part of the Proposed Restructuring, the Issuer Subsidiaries (which holds the Specified Assets) will be transferred to the Issuer by the Group. The Issuer will allot and issue its shares to the Company. No proceeds will be received by the Group from the Transfer.

Pursuant to the Scheme, the Ad Hoc Group shall be entitled to nominate three directors to the board of directors of the Issuer and each Issuer Subsidiary and a legal representative to each Issuer Subsidiary established in the PRC. The Company will be entitled to nominate one director to the board of directors of each of the Issuer and Issuer Subsidiaries with each of such boards comprising four directors.

Immediately after the appointment of the directors nominated by the Ad Hoc Group, the Company will cease to control the board of the Issuer and the Issuer Subsidiaries. Therefore, despite the Company continuing to be indirectly interested in 100% of the Issuer immediately after the Transfer, the members of the Issuer Group will cease to be subsidiaries of the Company as an accounting treatment and the financial results of the Issuer Group (excluding the Excluded Assets) will no longer be consolidated into the financial statements of the Company.

To provide greater flexibility to the Group in determining a cost-effective transfer of the Excluded Assets at a later stage after considering relevant legal and tax implications rather than being constrained by the timetable of the Proposed Restructuring by finalising arrangements while negotiating with creditors at this stage, the Excluded Assets are not expected to be transferred out of the Issuer Group prior to or immediately after the completion of the Transfer.

Under the terms of the Scheme, the Issuer Group shall not be entitled to any economic interest in the Excluded Assets, and shall not be liable for any cost or expenses (including any tax payment or tax liability) related to the disposal or release of the Excluded Assets. Upon completion of the Transfer, the Remaining Group will continue to be entitled to any economic interest in the Excluded Assets and responsible for any cost or expenses (including any tax payment or tax liability) related to the Excluded Assets.

However, other than the above terms in relation to the economic interest and costs and expenses in relation to the Excluded Assets, the terms of the Scheme does not expressly address all other potential events in relation to the Excluded Assets such as whether there is right to claim upon event of default of the New Notes or right to request for transfer of proceeds upon disposal. The Directors believe that based on the above term concerning the entitlement of the economic interest, (i) holders of the New Notes will not be able to claim against the Excluded Assets if an event of default under the New Notes occurs; and (ii) the Remaining Group has the right to request the Issuer Group for the transfer of net proceeds from the disposal of the Excluded Assets to the Remaining Group. Based on the above, as agreed by the auditors of the Company, any income generated from and expenses incurred by the Excluded Assets will be treated as respective receipt and payment on behalf of the Group by the Issuer Group. In addition, as agreed by the auditors of the Company, the Excluded Assets will be consolidated in the statements of financial position of the Remaining Group as a part of other financial assets, property, plant and equipment and investment properties, respectively. As at 31 December 2024, the aggregate book value of all of the Excluded Assets was approximately RMB159 million comprising approximately RMB91 million for the shares in Xiamen International Bank Company Limited, approximately RMB10 million for the office for self-use purpose by the Remaining Group and approximately RMB58 million for the six specified car parks.

Other than the shares in Xiamen International Bank Company Limited held for investment purposes, which have been transferred to the Remaining Group as at the Latest Practicable Date, the remaining Excluded Assets, being the office for self-use purpose by the Remaining Group and the six specified car parks, are expected to continue to be operated by the Remaining Group. When the Company determines that it is appropriate to rent out or dispose of the Excluded Assets still held by the Issuer Group, the Company will make a necessary signing, payment and other arrangements with the tenant(s)/purchaser(s), the relevant member of the Issuer Group and, if necessary, the other directors of the relevant entity who were not nominated by the Company. Under the terms of the New Notes, each of the directors nominated by the Ad Hoc Group (and any of their successors appointed by the holders of the New Notes in accordance with the terms of the New Notes) shall undertake, and each of the members of the Issuer Group shall procure, to the extent applicable or not prohibited by applicable law, to facilitate and approve, to the greatest extent possible, the sale, transfer or disposal by the relevant subsidiary directly or indirectly holding the Specified Assets of any interest in the Excluded Assets. Currently, the rental income generated from the aforesaid car parks are paid directly into the bank accounts of the Remaining Group and this practice is expected to continue after RED. To the extent possible and in compliance with applicable laws, the net proceeds from the disposal of the Excluded Assets after the RED are expected to be paid directly into the bank accounts of the Remaining Group, or otherwise, the Issuer Group will ensure that such amounts are remitted to the Remaining Group after the disposal.

According to the Letter from the Board, as agreed by the auditors of the Company, considering the Remaining Group is entitled to substantially all the economic benefits from the Excluded Assets, the Remaining Group has control over the Excluded Assets and can consolidate Excluded Assets in its consolidated financial statements for accounting purposes given the following reasons:

(i) under the terms of the Scheme, the Issuer Group shall not be entitled to any economic interest in the Excluded Assets, and shall not be liable for any cost or expenses (including any tax payment or tax liability) related to the disposal or release of the Excluded Assets. Thus, the Remaining Group shall be entitled to all the economic interest in the Excluded Assets substantially as agreed in the Scheme;

(ii) the shares of Xiamen International Bank Company Limited held for investment purposes have already been transferred to the Remaining Group as at the Latest Practicable Date, and therefore the Remaining Group has direct control of the Excluded Assets; and

(iii) regarding the specific self-use office space and six specified car parks, though the Remaining Group does not have the legal ownership of these Excluded Assets, the Remaining Group substantially controls these assets for the following reasons:

(a) as noted above, under the terms of the Scheme, the Issuer Group is not entitled to the economic interest in the Excluded Assets, including the self-use office space occupied by the Remaining Group and the six specified car parks. It is thus reasonable to expect that all the economic benefits will flow to the Remaining Group; and

(b) the office space is currently used by the Remaining Group. As at the Latest Practicable Date, (i) the Issuer Group has entered into carpark use rights transfer agreements (停車場使用權轉讓協議) transferring the relevant rights for use of five of the specified car parks to the Remaining Group; and (ii) the Group has entered into an agreement to rent out the remaining car park to an independent third party and the Remaining Group has already received the equivalent amount of the rental in advance. Therefore, the Issuer Group will have certain limitations on its use of the Excluded Assets and/or the Remaining Group will be entitled to the rentals from the six specified car parks.

To further validate the economics interests of the Excluded Assets, the auditors of the Company will conduct the audit procedures for each of the end of financial year of the Remaining Group and whenever necessary, including (i) examining the share certificate of the shares in Xiamen International Bank Company Limited; (ii) verifying the ownership of the shares with Xiamen International Bank Company Limited; (iii) performing a physical inspection on the self-use office space and the six specified car parks; and (iv) reviewing the relevant agreements relating to the six specified car parks.

Although the Company controls the Excluded Assets for accounting purposes, the Remaining Group's control over the specific self-use office space and six specified car parks as a legal matter may not be as effective as that of the Issuer Group, which has direct ownership of such Excluded Assets. Furthermore, the terms of the Scheme do not expressly provide for how the Excluded Assets will be controlled and operated by the Remaining Group or specify the approval process for the Issuer Group's dealings in the Excluded Assets, including whether a unanimous board resolution of the relevant member of the Issuer Group is required for such dealings. Taking into account that (i) the Company will nominate one director to the board of directors of each of the Issuer and Issuer Subsidiaries enabling it to monitor their operations and access relevant information and thus seek appropriate legal action to protect the Remaining Group's interest in case the Excluded Assets are being disposed without the Company's consent; (ii) it is agreed under the terms of the Scheme that the Issuer Group shall not be entitled to any economic interest in the Excluded Assets and thus holders of the New Notes will not be able to claim against the Excluded Assets if an event of default under the New Notes occurs; (iii) as at the Latest Practicable Date, the shares in Xiamen International Bank Company Limited have been transferred to the Remaining Group while the remaining Excluded Assets are being used and/or operated by the Remaining Group with such practice (including arrangement of the payment of rental income generated directly into the bank accounts of the Remaining Group) continuing after RED; and (iv) as explained above, the Remaining Group has the right to request the Issuer Group for the transfer of net proceeds from the disposal of the Excluded Assets to the Remaining Group, the Directors consider that there are sufficient safeguards in relation to the Excluded Assets despite the Company ceasing to have control over the Issuer Group. The Transfer is conditional upon, among others, the passing of the necessary resolutions by the Independent Shareholders at the AGM and the satisfaction or waiver (as applicable) prior to or on the RED of the other conditions to the Proposed Restructuring.

The Issuer Group will continue to operate its businesses and its owned properties will be held for development, sale or investment purposes after the Transfer. The shares of members of the Issuer Group and/or assets of the Issuer Group may be sold after the Transfer so the cash generated from the operations of the Issuer Group and disposal of its assets (including the Specified Assets but excluding the Excluded Assets) can be used to repay the New Notes in accordance with the terms of the New Notes and the Scheme.

For the shareholding structure of the Issuer Group as at the Latest Practicable Date and after the Proposed Restructuring, please refer to the section headed "THE TRANSFER – Information on the Issuer Group" in the Letter from the Board.

Although no proceeds will be received by the Group from the Transfer and the Excluded Assets will remain in the Issuer Group after Proposed Restructuring, after considering that:

(i) the Transfer and the arrangement of the Excluded Assets under the terms of the New Notes form part of the Proposed Restructuring that would improve the Group's financial position after the Proposed Restructuring as set out in the unaudited pro forma financial statements of the Remaining Group in the Appendix V to the Circular;

(ii) given the material uncertainty relating to going concern of the Group indicated by the auditors of the Company, the Company has limited financing alternatives as further discussed in the section headed "12. Reasons for and benefits of the possible transactions in connection with the Proposed Restructuring" below in this letter;

(iii) the Company could receive 5% of the net proceeds from the disposal of the Specified Assets, which can be used at its sole discretion, and all outstanding principal amount of the New Notes shall be cancelled and all accrued and unpaid interest on the New Notes shall be waived under the terms of the New Notes if all assets of the Issuer Group (including the Specified Assets) are disposed within the 5 years tenor period of the New Notes;

(iv) the Net Cash Proceeds in respect of the Specified Assets will be deposited into the designated account under the terms of the New Notes while the rental income generated from and the net proceeds from the disposal of the Excluded Assets will be deposited into bank accounts of the Remaining Group;

(v) under the terms of the Scheme and the New Notes, the Company shall be entitled to appoint one director to the board of each of the Issuer and Issuer Subsidiaries, which will allow the Company to monitor the Issuer Group's operations and access relevant information to protect the Remaining Group's interest; and

(vi) under the terms of the Scheme and the New Notes, the Issuer Group shall not be entitled to any economic interest in the Excluded Assets and the directors nominated by the Ad Hoc Group shall procure to facilitate and approve the future sale, transfer or disposal of the Excluded Assets (if any),

we consider that the economic interest in the Excluded Assets by the Remaining Group will be safeguarded and the Transfer (including the arrangement of the Excluded Assets) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(a) Information on the Specified Assets

The Specified Assets for purposes of the Proposed Restructuring are the following initial assets held by three project companies:

Project	**Name of project company**	**Ownership by the Group**	**GFA as at 31 December 2024** *(sq.m.)*	**Description**
GW International Plaza (金輪國際廣場商場)	Nanjing Jade Golden Wheel Realty Company Limited	100%	28,055.81	A shopping mall (-1–5F) located in 8 Hanzhong Road, Gulou District, Nanjing City, Jiangsu Province, the PRC
GW Binary Star (金輪雙子星廣場)	Nanjing Pearl Golden Wheel Realty Company Limited	100%	35,881.09	A shopping mall (-1–3F) and a hotel (4–16F) located in Shuanglong Avenue, Jiangning District, Nanjing City, Jiangsu Province, the PRC
GW New Metro (金輪新都匯)	Nanjing Golden Wheel Real Estate Development Company Limited	100%	18,356.30	A shopping mall (-1–4F) located in 1118 Shuanglong Avenue, Jiangning District, Nanjing City, Jiangsu Province, the PRC

(b) Financial information of the Issuer Group

Set out below is the summary of certain key financial information of the Issuer Group, excluding the Excluded Assets, for the year ended 31 December 2022 ("**FY2022**"), FY2023 and FY2024:

	FY2022	**FY2023**	**FY2024**
	approximately	*approximately*	*approximately*
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue	91,369	96,490	95,272
Loss before taxation	(107,440)	(111,955)	(379,062)
Loss after taxation	(91,940)	(89,705)	(291,562)

We note that the Issuer Group recorded loss before taxation of approximately RMB379.06 million for FY2024, representing an increase of approximately RMB267.10 million or 238.6%, as compared with that of approximately RMB111.96 million for FY2023. According to financial statements of the Issuer Group as set out in the Appendix IV to the Circular, such increase in loss was mainly due to the increase in fair value loss of investment properties of approximately RMB261.00 million for FY2024.

According to the Letter from the Board, the unaudited total assets, total liabilities and net assets of the Issuer Group as at 31 December 2024 according to its management accounts and excluding the Excluded Assets were approximately RMB2,631 million, RMB406 million and RMB2,213 million, respectively.

According to the Valuation Reports, the fair value of the Specified Assets as at 31 December 2024 was approximately RMB2,606.70 million.

10. Valuation of the Specified Assets

The Company has engaged the Valuer to conduct valuation on the Specified Assets and the Valuation Reports as set out in the Appendix VII to the Circular.

(a) Qualifications of the Valuer

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's background and qualification in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation Reports. From the information provided by the Valuer and based on our discussion with them, we understand that the Valuer was established in Hong Kong since 2018 and comprises a team of professional individuals with wide range of valuation experience across various sectors, including biomedicine, cryptocurrency and digital assets, internet and media, securities and asset management, consumer goods, heavy industry, utilities, infrastructure, shipping, forestry, the mineral industry, education, and non-profit organizations. The responsible officers are members of various professional bodies (or charter holders of their programs), such as RICS (MRICS), HKICPA (CPA), CFA Institute (CFA Charter) and GARP (FRM), with solid finance and accounting background. As confirmed by the Valuer, the Valuer is independent to the Group. Therefore, we are satisfied with the Valuer's qualification for preparation of the Valuation Reports.

(b) Valuation methodology

In assessing the valuation of the Specified Assets, we have reviewed the Valuation Reports and upon our further discussion with the Valuer, we agree with the Valuer to adopt direct comparison method, which involves the analysis of recent market evidence of similar properties to compare with the subject under valuation, in arriving the appraised value of the Specified Assets as there is sufficient market evidence close to the valuation date with same usage at surrounding location which provide a strong support and reference to the valuation.

We have reviewed and discussed the basis and assumptions adopted in the Valuation Reports. During the course of our discussion with the Valuer, we understand that the Valuer has performed the following steps to evaluate the market value of the Specified Assets:

(i) perform on-site inspections to the Specified Assets;

(ii) review the legal opinion in respect of the validity of the titles to the Specified Assets;

(iii) review the building ownership certificates of the Specified Assets; and

(iv) market research of available market comparables for the valuation of the Specified Assets.

For our due diligence purpose, we have obtained and reviewed (i) the underlying calculation of the valuation of the Specified Assets as provided by the Valuer; (ii) the quotation of the market comparables as set out in the underlying calculation of the valuation; (iii) the building ownership certificates of the Specified Assets; and (iv) the site visit photos of the Specified Assets taken by the Valuer. From our review of the market comparables, the selection of the market comparables was based on the location, usage and condition which shared the most similarities with the Specified Assets. We are of the view that the selection criteria of the market comparables used in the valuation of the Specified Assets are fair and reasonable.

We have discussed with the Valuer and understand that appropriate adjustments to the unit rate of the market comparables have been made by the Valuer taking into account factors such as differences in age of the property, location, area, floor, building condition and pedestrian flow. In order to assess the fairness and representative of the adjustments applied to the transaction comparables, we have reviewed the quotation of the market comparables and the adjustments to the unit rate in the underlying calculation of the valuation of the Specified Assets, which the general basis of adjustments of such attributes is that downward adjustments would be made to the unit rate of the market comparables if it is superior to the Specified Assets in terms of the aforesaid attributes and vice versa. We understand from the Valuer that such adjustment factors were commonly adopted for valuation of properties and the Valuer has used their professional judgement and experience in valuing similar properties to assign different weightings to the factors when applying adjustments. After taking into account the aforementioned adjustments, the Valuer had adopted unit rates, depends on the floor level, ranged (i) from RMB52,000 per sq. m. to RMB104,000 per sq. m. for the valuation of retail portion of Golden Wheel International Plaza; (ii) from RMB23,000 per sq. m. to RMB46,000 per sq. m. for the valuation of the retail portion of Golden Wheel Binary Star Plaza; (iii) from RMB8,200 per sq. m. to RMB46,000 per sq. m. for the valuation of the hotel portion of Golden Wheel Binary Star Plaza; and (iv) from RMB20,500 per sq. m. to RMB41,000 per sq. m. for the valuation of retail portion of Golden Wheel New Metro. The unit rate adopted by the Valuer for each Specified Assets is within the range of the market comparables of each Specified Assets.

Based on our review of the Valuation Reports and discussion with the Valuer regarding, among others, (i) the scope of work and experiences of the Valuer; (ii) the reasons and appropriateness of adopting the direct comparison method for the valuation of the Specified Assets; (iii) the basis, assumptions and methodology adopted in the Valuation Reports; and (iv) the valuation work performed by the Valuer, we consider that the valuation performed by the Valuer as well as the basis, assumptions and methodology adopted in the Valuation Reports are appropriate.

11. Financial effects of the Transfer and the Proposed Restructuring

In accordance with the Scheme, the Issuer Group shall not be entitled to any economic interest in the Excluded Assets, and shall not be liable for any cost or expenses (including any tax payment or tax liability) related to the disposal or release of the Excluded Assets. After the Transfer, the Group will continue to be entitled to any economic interest in the Excluded Assets and responsible for any cost or expenses (including any tax payment or tax liability) related to the Excluded Assets.

Upon completion of the Transfer, the members of the Issuer Group will cease to be subsidiaries of the Company as an accounting treatment. As such, the financial information of the Issuer Group (excluding the Excluded Assets) will cease to be consolidated into the consolidated financial statements of the Group. As agreed by the auditors of the Company, the Issuer Group will be classified as financial assets at fair value through other comprehensive income in the consolidated financial statements of the Company.

(a) Earnings

Upon the completion of the Transfer, it is expected to record an unaudited gain on deconsolidation of the Issuer Group (excluding the Excluded Assets) for FY2024 in the amount of approximately RMB1,483 million to the Group, calculated with reference to the difference between (i) the aggregate outstanding principal amount of the Existing Debt Instruments of approximately US$507 million (approximately RMB3,642 million) as at 31 December 2024; (ii) the net asset value of the Issuer Group (excluding the Excluded Assets) of approximately RMB2,213 million as at 31 December 2024; (iii) fair value of 5% of net assets of the Issuer Group (excluding the Excluded Assets) of approximately RMB104 million as at 31 December 2024; and (iv) the estimated taxation and transaction cost associated with the Transfer of approximately US$7 million (approximately RMB50 million). The actual gain as a result of the Transfer to be recorded by the Group is subject to audit and will be determined as at the date of the completion of the Transfer.

(b) Assets and liabilities

Upon the completion of the Proposed Restructuring, the Company will be fully discharged of the Group's obligations under the Existing Debt Instruments in accordance with the Scheme. The book value of the Company's liabilities that is expected to be discharged and released upon the Scheme becoming effective is approximately RMB4,322 million, calculated with reference to the sum of (i) the aggregate outstanding principal amount of the Existing Debt Instruments of approximately US$507 million (approximately RMB3,642 million) as at the Latest Practicable Date; and (ii) the Accrued Interest of approximately US$95 million (approximately RMB680 million).

Having taken into account the unaudited net assets value of the Issuer Group (excluding the Excluded Assets) of approximately RMB2,213 million as at 31 December 2024, it is estimated that upon completion of the Transfer, the total assets and total liabilities of the Group will be decreased by approximately RMB2,527 million and RMB4,691 million, respectively, and net assets of the Group will be increased by approximately RMB2,164 million.

(c) Sufficiency of assets and operations of the Group after the Transfer

As at 31 December 2024, the Group had a total land bank of GFA of approximately 708,311 sq.m., including approximately 149,079 sq.m. of completed but unsold properties, approximately 32,319 sq.m. of own used properties, approximately 121,350 sq.m. of completed investment properties, approximately 185,720 sq.m. of properties under development and approximately 219,843 sq.m. of properties developed by joint venture and associate entities.

After the Transfer, the Group will continue to be engaged in property development, property leasing and hotel operation. Based on the total land bank as at 31 December 2024 and after the Transfer, the Group's total land bank is estimated to be approximately 646,124 sq.m. comprising 20 completed projects and 1 project under development. The Remaining Group's property development projects are expected to be financed by its operations and investing activities with its internal funds, borrowings from banks and other parties and proceeds from sales and pre-sales of its developed properties. The total assets of the Group after the Transfer will amount to approximately RMB5,592 million, assuming the Transfer had completed on 31 December 2024. Such figure was derived from the Financial Information 2024 and adjusted to take into account the effects of the Transfer on the assumption that it had been completed on 31 December 2024. Based on the above, the Directors are of the view that the Group has a sufficient level of assets and operations of sufficient value under Rule 13.24(1) of the Listing Rules after the Transfer.

12. Reasons for and benefits of the possible transactions in connection with the Proposed Restructuring

According to the Letter from the Board, in recent years, the real estate market and financial landscape have undergone constant change, presenting significant challenges to sales and financing overall, as well as testing the cash flows of companies, including the Group's cash flows. In 2021 and 2022, the international political and economic situation was complex and volatile, coupled with the resurgence of the pandemic in many regions of the PRC, the domestic economy has taken a hard hit, especially in the segments of property development, property leasing and hotel operation which are the main businesses of the Group. In 2023, the sales of the real estate industry remained sluggish after a short boom in the first quarter, and the real estate market continued to decline thereafter. Although there is noticeable support from the central government policies to loosen regulations, the effect on the recovery of the real estate environment is limited in the short term. As a result of various challenges in the past few years, the business environment has been tough for real estate developers and operators in the PRC, including the Group. The Group's revenue has dropped approximately 10.2% from approximately RMB2,660 million in 2022 to approximately RMB2,388 million in 2023, and continued to decrease to approximately RMB796 million in 2024. The financial position of the Group has worsened due to heavy debt structure established in the past. The Group's gearing ratio (calculated by dividing the interest-bearing liabilities net of bank deposits and cash by the total equity) as at 31 December 2022, 2023 and 2024 was approximately 233.2%, 387.3% and 2,069.3%, respectively.

Due to the multiple uncertainties relating to going concern, the auditors of the Company had issued a disclaimer of opinion regarding the consolidated financial statements of the Group for FY2022 and FY2023. Over the past two years, the Group failed to repay certain bank loans and interest on the Existing Notes, causing defaults. By the end of 2023, the Group also failed to pay accumulated interest on the Existing Notes and redeem a portion of their principal, triggering further defaults. The continuous disclaimer of opinion, along with the deteriorating financial position, has significantly hindered the Group's access to financing and refinancing from financial institutions. Over the past months, the Company and its professional advisors have engaged in constructive dialogue with the Ad Hoc Group, being certain holders of the Existing Debt Instruments, with respect to the Proposed Restructuring. The Proposed Restructuring will alleviate the Company from the pressure of its offshore indebtedness, help the Company stabilise the position of the Group and formulate a long-term financially viable solution for the Group in the context of the recent period of unprecedented volatility in the market. It will also protect the legitimate rights and interests of creditors. On 21 November 2024, the Company entered into RSA with, among others, the initial Participating Creditors.

No net proceeds will be received by the Group from the distribution of the restructuring consideration (i.e. the issue of the New Notes and New Shares) or the Transfer. The Proposed Restructuring seeks to address the Existing Debt Instruments, comprising the Existing Notes and the Existing Loan, with an aggregate outstanding principal amount of approximately US$506,662,503 as at the Latest Practicable Date thereby reducing the overall liquidity pressure of the Group, enhancing its net asset value and improving the financial position of the Company.

In addition, under the Proposed Restructuring, the Company will receive the remaining 5% of Net Cash Proceeds for repayment of the Project Loan and after release of the mortgage over GW International Plaza, the Company may use the remaining 5% of the Net Cash Proceeds at its sole discretion. Thus, taking into account the above, and that (i) the historical annual rental income of the Specified Assets for FY2023 and FY2024 was approximately RMB56 million and RMB55 million, respectively; and (ii) the Company's substantial experience in the real estate industry, the Company is also willing to provide the Performance Guarantee (which is estimated to be maximum amount of approximately RMB39 million) relating to the annual rental income generated from such Specified Asset for each fiscal year ending after the RED until the sale of such Specified Asset.

We have reviewed the Financial Information 2024 and discussed with the management of the Company in respect of fund raising alternatives available to the Group. Given the net current liabilities position and the going concern issue of the Group as discussed in the section headed "1. Background and financial information of the Group" above in this letter, there were limited fund raising alternatives available to the Group. In particular, the Group would be very difficult to obtain debt financing after the default repayment of Existing Loan and Existing Notes that triggered cross-defaults of other bank loans. The Group also have difficulties to propose attractive terms and offers to carry out equity fund raising activities such as rights issue or open offer given the material uncertainty of going concern of the Group. Therefore, the Proposed Restructuring is the feasible solution to the Group to settle the Accrued Interest and to extend the repayment of the Existing Principal Amount, which will allow the management of the Company more time to seek for other financing alternatives and to recover the financial position of the Group from the sale of properties.

As discussed with the management of the Company, in the event that all assets of the Issuer Group (including the Specified Assets) are disposed of within the 5 years tenor period of the New Notes, all outstanding principal amount of the New Notes shall be cancelled and all accrued and unpaid interest on the New Notes shall be waived under the terms of the New Notes, regardless whether the net proceeds from the disposal are lower than the outstanding principal amount and accrued and unpaid interest of the New Notes. Apart from the 95% of the net proceeds towards the repayment of the New Notes, the Company could also receive 5% of the net proceeds from the disposal after the repayment of the Project Loan and release of the mortgage over GW International Plaza, which can be used at its sole discretion. Otherwise, in the event that the Issuer fails to redeem the New Notes within the 5 years tenor period, although it would constitute an event of default under the New Notes and the holders of the New Notes may claim against the Issuer and the Issuer Group in accordance with the terms of the New Notes, the Remaining Group has no obligations in respect to the repayment of the New Notes.

After considering (i) the financial effect of the Proposed Restructuring as further discussed in the section headed "11. Financial effects of the Transfer and the Proposed Restructuring" in this letter above; (ii) limited fund raising alternatives available to the Group as discussed above; and (iii) the fact that all outstanding principal amount of the New Notes shall be cancelled and all accrued and unpaid interest on the New Notes shall be waived if all assets of the Issuer Group (including the Specified Assets) are disposed within the 5 years tenor period of the New Notes, we consider that the reasons for and the benefits of the Proposed Restructuring are justifiable and the Proposed Restructuring is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, that:

(i) the Group was in net current liabilities position and auditors of the Company have indicated material uncertainty relating to going concern of the Group in respect of the financial statements of the Group for FY2024;

(ii) the Company has limited fund raising alternatives;

(iii) the financial position of the Group will be improved after the Proposed Restructuring;

(iv) the interest rate of the New Notes is below that of the Comparable Transactions and the term to maturity of the New Notes is within the range of the term to maturity of the Comparable Transactions;

(v) the issue price of the Shares represents a significant premium to the historical closing price of the Shares, which is more favourable than the Comparable Issue of New Shares; and

(vi) the reasons for and benefits of the Proposed Restructuring,

we are of the view that the issue of New Notes, provision of financial assistance, issue of New Shares and the Transfer and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the issue of New Notes, provision of financial assistance, issue of New Shares and the Transfer and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
INCU CORPORATE FINANCE LIMITED

Gina Leung
Managing Director

Psyche So
Associate Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

Ms. Psyche So is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over eight years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.