

29 April 2026

To the Shareholders

Dear Sir/Madam,

**(1) ISSUANCE OF SCHEME CREDITOR SHARES UNDER
SPECIFIC MANDATE AND RELATED CONNECTED TRANSACTION**
**(2) ISSUANCE OF MANDATORY CONVERTIBLE BONDS DUE 2027 AND
RELATED CONNECTED TRANSACTION**
**(3) ISSUANCE OF SHORT TERM NOTES DUE 2031 AND
RELATED CONNECTED TRANSACTION**
**(4) ISSUANCE OF LONG TERM NOTES DUE 2034 AND
RELATED CONNECTED TRANSACTION**
**(5) ISSUANCE OF SCHEME FEE SHARES UNDER SPECIFIC MANDATE
AND RELATED CONNECTED TRANSACTION**
**(6) CONNECTED TRANSACTION IN RELATION TO CAPITALISATION
OF SHAREHOLDER LOANS**
(7) INCREASE IN AUTHORISED SHARE CAPITAL
(8) PROPOSED SHARE CONSOLIDATION
**(9) PROPOSED CHANGE IN BOARD LOT SIZE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements in relation to, among other things, the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares, the Loan Capitalisation, the Increase in Authorised Share Capital, the Share Consolidation and the Change in Board Lot Size.

The purpose of this circular is to provide you with (1) further information on the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares, the Loan Capitalisation, the Increase in Authorised Share Capital, the Share Consolidation and Change in Board Lot Size; (2) a letter from the Independent Board Committee in respect of the connected transactions in relation to the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares and the Loan Capitalisation; (3) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and Independent Shareholders; and (4) the notice convening the EGM.

BACKGROUND

The Company obtained sufficient support from the Scheme Creditors at the Scheme Meetings which were convened on 20 February 2026, during which the Schemes received overwhelming support from approximately 99.67% of the total value of the Scheme Creditors' voting claims voting at the Scheme Meetings. On 12 March 2026, the Hong Kong Court sanctioned the Hong Kong Scheme and the Cayman Court sanctioned the Cayman Scheme, respectively. The scheme effective date of each of the Schemes occurred on 13 March 2026, which is a significant milestone towards the implementation of the Proposed Debt Restructuring. The scheme effective date is distinct from the Restructuring Effective Date, which remains subject to satisfaction or waiver of the conditions to the Restructuring Effective Date.

Subject to the occurrence of the Restructuring Effective Date:

- (a) Scheme Creditors who have validly elected or been assigned or re-allocated Option 1, 2 and/or 3 of the Scheme Consideration will receive one or a combination of (Option 1) STN and MCB, (Option 2) LTN and Scheme Creditor Shares, and/or (Option 3) Scheme Creditor Shares. To the extent that elections of Options are made (in the case of Option 3, including such amounts of Scheme Creditors' Claims allocated to Option 3 due to non-election ("**Deemed Election**")) exceeding the relevant Size Cap (as defined below) for any particular Option, Scheme Creditors who elected that Option (in the case of Option 3, including a Deemed Election) will receive the Scheme Consideration for that Option on a pro rata basis up to the Size Cap, with the excess Scheme Creditors' Claims automatically reallocated to the other Options to the extent of the remaining balance of the relevant Size Cap in such other Option(s) on a pro rata basis; and
- (b) all amounts owed by the Group under the Existing Notes and Existing Additional Debt Instruments (including the outstanding principal amount and interest accrued) will be discharged in full.

Options 1, 2 and 3 of the Scheme Consideration are subject to a cap (“**Size Cap**”), being the multiple of (i) the scaling factor (as detailed below) and (ii) USD2,600 million, USD1,400 million and USD830 million (equivalent to HK\$20,280 million, HK\$10,920 million and HK\$6,474 million), respectively. The scaling factor means the number (expressed as a fraction) which is equal to (A) the Scheme Creditors’ Claims divided by (B) USD4,830 million (equivalent to HK\$37,674 million), being the sum of USD2,600 million, USD1,400 million and USD380 million and representing the anticipated aggregate Scheme Creditors’ Claims based on information available to the Company around the time of negotiation of the terms of the Proposed Debt Restructuring. Subsequently, the Company entered into bilateral settlements (including the TFI Restructuring Agreement) that led to the final aggregate Scheme Creditors’ Claims being lower than the initially anticipated aggregate Scheme Creditors’ Claims. In particular, the Scheme Consideration comprises:

- (i) Option 1 – for USD1 (equivalent to HK\$7.80) of Scheme Creditors’ Claims (approximately USD2,505.9 million (equivalent to approximately HK\$19,546.15 million)), STN in the principal amount of USD0.25 (equivalent to HK\$1.95) and MCB in the principal amount of USD0.20 (equivalent to HK\$1.56), representing a discount of 55% to the relevant Scheme Creditors’ Claims;
- (ii) Option 2 – for USD1 (equivalent to HK\$7.80) of Scheme Creditors’ Claims (approximately USD1,349.3 million (equivalent to approximately HK\$10,524.85 million)), LTN in the principal amount of USD0.60 (equivalent to HK\$4.68) and such number of Scheme Creditor Shares equal to USD0.15 (equivalent to HK\$1.17) divided by the issue price of HK\$1.52 per new Existing Share, representing a discount of 25% to the relevant Scheme Creditors’ Claims;
- (iii) Option 3 – for USD1 of Scheme Creditors’ Claims (approximately USD800.0 million (equivalent to approximately HK\$6,239.73 million)), such number of Scheme Creditor Shares equal to USD1 (equivalent to HK\$7.80) divided by the issue price of HK\$1.52 per new Existing Share.

In connection with the Proposed Debt Restructuring, the Company is required to pay certain consent fees and work fees to the Participating Creditors and the Ad Hoc Group respectively in the form of Scheme Fee Shares and/or STN. As disclosed in the Restructuring Announcements, in connection with the Proposed Debt Restructuring, the Company will pay consent fees (comprising early consent fees in the form of 173,935,261 Consent Fee Shares and STN in the principal amount of USD1,339,495 (equivalent to approximately HK\$10,448,061), as well as general consent fees in the form of STN in the principal amount of USD243,313 (equivalent to approximately HK\$1,897,841)) as incentive to attract support from Scheme Creditors – consent fees are paid to Scheme Creditors who have duly executed or validly acceded to the RSA. The Company will also pay work fee to the Ad Hoc Group in accordance with the Ad Hoc Group Work Fee Letter in recognition of their assistance and time devoted to negotiating the terms of the Proposed Debt Restructuring, comprising fixed work fee (1,279,200,000 Work Fee Shares) and additional work fee (comprising 84,691,506 Work Fee Shares and STN in the principal amount of USD4,411,909 (equivalent to approximately HK\$34,412,890)). All members of the Ad Hoc Group will be entitled to the fixed work fee and additional work fee on a pro rata basis.

Based on the issue price of HK\$0.1 per Scheme Fee Share and the principal amount of STN to be issued, the early consent fees (payable in the form of Scheme Fee Shares and/or STN, as elected by the relevant Participating Creditor and not subject to any separate cap on form of settlement), general consent fee (payable in the form of STN), fixed work fee (payable in the form of Scheme Fee Shares) and additional work fee (payable in the form of Scheme Fee Shares and/or STN, as determined in accordance with the Ad Hoc Group Work Fee Letter and not subject to any separate cap on form of settlement – please refer to sections headed “5. Scheme Fee Shares” and “3. STN” below for further details) amounted to approximately USD3,569,434 (equivalent to approximately HK\$27,841,589), USD243,313 (equivalent to approximately HK\$1,897,841), USD16,400,000 (equivalent to HK\$127,920,000) and USD5,497,698 (equivalent to approximately HK\$42,882,031), which was determined after arm’s length negotiation between the Company and the Ad Hoc Group having considered (i) the deleveraging to be achieved with respect to the Company’s balance sheet; (ii) the impact of consent fee on securing support from the Scheme Creditors; and (iii) time and effort devoted by the Ad Hoc Group in negotiating the terms of the Proposed Debt Restructuring. The payment of consent fees and work fees, which is key to gathering support for the implementation of the Proposed Debt Restructuring, is common amongst similar debt restructuring exercises as a means to solicit sufficient support and mitigate the execution risks. Having considered, among other things, (i) the feedback from arm’s length negotiation between the Company and the Ad Hoc Group; (ii) the significance of offering an equity option as a means to minimise indebtedness arising from the Proposed Debt Restructuring as much as possible; (iii) the term of the STN exceeding five years and accordingly the STN will not be classified as current liabilities of the Group upon issuance; (iv) potential consequences in the event the Proposed Debt Restructuring does not proceed (noting the Proposed Debt Restructuring is the Company’s further attempt after it was no longer feasible to proceed with the debt restructuring exercise on the terms disclosed in the announcement of the Company dated 29 April 2024), the payment of consent fees and work fees under the Proposed Debt Restructuring is fair and reasonable and in the interests of the Company and Shareholders as a whole. For completeness, Participating Creditors which form part of the Ad Hoc Group are entitled to consent fees, work fees and Scheme Consideration in accordance with the terms of the Schemes and the Ad Hoc Group Work Fee Letter.

Ms. Zeng proposes to, through Fantasy Pearl International Limited, provide or procure the provision of the New Shareholder Loan (no fixed maturity date) to the Company shortly prior to the Restructuring Effective Date to fund certain fees and expenses payable under the Proposed Debt Restructuring. It is expected the New Shareholder Loan will be used to finance fees payable by the Company, including but not limited to payments to advisors of the Ad Hoc Group and the Company, which are expected to exceed the amount of the New Shareholder Loan. The payment of advisor fees of the Ad Hoc Group by the issuer undergoing the debt restructuring is common amongst similar debt restructuring exercises. The Company also proposes to implement the Loan Capitalisation to settle the Shareholder Loans on the Restructuring Effective Date.

1. SCHEME CREDITOR SHARES

The principal terms of the issuance of Scheme Creditor Shares as part of the Scheme Consideration on the Restructuring Effective Date are summarised as follows:

Subscribers: Subscribers (not less than six in number), being Scheme Creditors who have validly elected or been assigned or re-allocated to Options 2 and 3 of the Scheme Consideration

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries after taking into account publicly available information, the Subscribers of the Scheme Creditor Shares and their ultimate beneficial owners (other than Ms. Zeng, Fantasy Pearl International Limited, Baocollection Limited and Mr. Guo) are independent of the Company and its connected persons.

Issue price: HK\$1.52 per Scheme Creditor Share

Number of Shares: 5,143,723,515 Scheme Creditor Shares comprising:

- (1) an aggregate of 1,038,635,809 Shares allotted and issued to Scheme Creditors who have validly elected or been assigned or re-allocated to Option 2 of the Scheme Consideration (of which 784,824 Shares will be allotted and issued to Fantasy Pearl International Limited, 2,164,599 Shares will be allotted and issued to Baocollection Limited and 25,316 Shares will be allotted and issued to Mr. Guo, respectively), representing 15% of the Scheme Creditors' Claims assigned or allocated to Option 2 of the Scheme Consideration; and

- (2) an aggregate of 4,105,087,706 Shares allotted and issued to Scheme Creditors who have validly elected or been assigned or re-allocated to Option 3 of the Scheme Consideration (of which 11,328,052 Shares will be allotted and issued to Fantasy Pearl International Limited, 31,243,499 Shares will be allotted and issued to Baocollection Limited and 365,421 Shares will be allotted and issued to Mr. Guo, respectively), representing 100% of the Scheme Creditors' Claims assigned or allocated to Option 3 of the Scheme Consideration

**Ranking of Scheme
Creditor Shares:**

The Scheme Creditor Shares allotted and issued will rank *pari passu* in all respects with the Shares in issue, including the right to any dividend or distribution, the record date of which falls on or after the date of allotment.

Listing:

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Scheme Creditor Shares.

Scheme Creditor Shares

5,143,723,515 Scheme Creditor Shares respectively represent approximately (i) 89.11% of the number of issued Shares as at the Latest Practicable Date; (ii) 47.12% of the number of issued Shares as enlarged by the issuance of Scheme Creditor Shares; (iii) 28.39% of the number of issued Shares as enlarged by the issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming only RED Mandatory Conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares; and (iv) 26.51% of the number of issued Shares as enlarged by the issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming full conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares, in each case assuming there is no other change in the number of issued Shares from the Latest Practicable Date up to maturity date of the MCB.

The issue price of HK\$1.52 per Scheme Creditor Share represents:

- (1) a premium of 1,800.00% over the closing price of HK\$0.080 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (2) a premium of 1,709.52% over the closing price of HK\$0.084 per Share as quoted on the Stock Exchange on 16 February 2026, being the last trading day before the Scheme Meetings;
- (3) a premium of 1,744.66% over the average closing price of HK\$0.082 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (4) a premium of 1,776.54% over the average closing price of HK\$0.081 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day.

The Board is of the view that the net asset value per Share is not a meaningful reference to determine the issue price of the Scheme Creditor Shares, taking into account the fact that the Company was in a net liability position as at 31 December 2025, as disclosed in the Company's audited financial statements for that year.

The issue price of the Scheme Creditor Shares was determined after arm's length negotiation between the Company and the Ad Hoc Group having considered (i) the Scheme Creditors' Claims to be discharged and the discount applied to the principal amount; (ii) the balancing of the dilution impact of various equity issuances (namely Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares) on the Restructuring Effective Date and upon conversion of the MCB, taking into account the commercial ask that Shares issued to the Scheme Creditors under the Proposed Debt Restructuring collectively make up a considerable portion of ownership of the Company to reflect the value of the compromise made by the Scheme Creditors and also to allow holders of Shares to participate in the future returns of the Group as and when its business operations improve; (iii) the impact of the issue price on the level of support from the Scheme Creditors; (iv) the distressed financial condition of the Company; (v) the prevailing market conditions and sentiment with regard to the real estate industry in the PRC, which is not expected to record significant growth in the near future; and (vi) the difficulties faced by the Company in accessing external financing for the repayment of the Existing Notes and Existing Additional Debt Instruments.

Conditions of the issuance of Scheme Creditor Shares

The allotment and issuance of Scheme Creditor Shares is conditional upon the fulfilment of each of the following conditions:

- (1) the Increase in Authorised Share Capital having become effective;
- (2) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the issuance of Scheme Creditor Shares and transactions contemplated thereunder;
- (3) the Listing Committee granting the listing of, and permission to deal in, the Scheme Creditor Shares; and
- (4) the occurrence of the Restructuring Effective Date.

None of the above conditions are waivable. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

2. MCB

The principal terms of the MCB to be issued as part of the Scheme Consideration on the Restructuring Effective Date are summarised as follows:

Issuer: The Company

Subscribers: Subscribers (not less than six in number), being Scheme Creditors who have validly elected or been assigned or re-allocated to Option 1 of the Scheme Consideration

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries after taking into account publicly available information, the Subscribers of the MCB and their ultimate beneficial owners (other than Ms. Zeng, Fantasy Pearl International Limited, Baocollection Limited and Mr. Guo) are independent of the Company and its connected persons.

| | |
|---|---|
| Principal amount: | USD501,183,055 (equivalent to approximately HK\$3,909,227,829) (of which MCB in the principal amount of USD594,574 (equivalent to approximately HK\$4,637,677) will be issued to Fantasy Pearl International Limited, USD1,639,875 (equivalent to approximately HK\$12,791,025) will be issued to Baocollection Limited and USD19,179 (equivalent to approximately HK\$149,596) will be issued to Mr. Guo, respectively), representing 20% of the Scheme Creditors' Claims assigned or allocated to Option 1 of the Scheme Consideration |
| Interest: | Zero coupon. The interest rate was determined through arm's length commercial negotiations with the Ad Hoc Group and with reference to similar companies issuing instruments as part of similar debt restructuring exercises. |
| Maturity date: | 31 December 2027 |
| Guarantee: | Corporate guarantees from the Subsidiary Guarantors |
| MCB Conversion Price: | Initially HK\$1.52 per new Existing Share, subject to adjustments as set forth below Assuming there is no adjustment to the MCB Conversion Price, the Company will allot and issue a total of 2,571,858,330 MCB Conversion Shares upon full conversion of the MCB. |
| Adjustments to MCB Conversion Price: | The MCB Conversion Price will be subject to adjustment (as determined by an independent calculation agent unless otherwise specified) upon the occurrence of certain adjustment events, including: <ul style="list-style-type: none"> (i) an alteration to the nominal value of the Shares as a result of consolidation, subdivision, redesignation or reclassification, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such alteration by the following fraction: |

$$\frac{A}{B}$$

where A is the nominal amount of one Share immediately after such alteration and B is the nominal amount of one Share immediately before such alteration;

- (ii) (a) an issue (other than by way of scrip dividend, or an issue that would constitute a capital distribution) of any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue by the fraction:

$$\frac{A}{B}$$

where A is the aggregate nominal amount of the issued Shares immediately before such issue and B is the aggregate nominal amount of the issued Shares immediately after such issue;

- (b) an issue of Shares by way of scrip dividend where the aggregate value of such Shares as determined by reference to the current market price per Share on the date of announcement of the terms of such scrip dividend exceeds the fair market value of the relevant cash dividend and which would not have constituted a capital distribution, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue by the fraction:

$$\frac{A + B}{A + C}$$

where A is the aggregate number of issued Shares immediately before such issue, B is the aggregate number of Shares issued by way of such scrip dividend multiplied by the fraction of which the numerator is the fair market value of the relevant cash dividend and the denominator is the aggregate value of such Shares issued by way of scrip dividend as determined by reference to the current market price per Share on the date of announcement of the terms of such scrip dividend, and C is the aggregate number of Shares comprising such scrip dividend; or such other adjustment as an independent financial adviser shall certify is fair and reasonable;

- (iii) a capital distribution to the Shareholders (except to the extent that the MCB Conversion Price falls to be adjusted under (ii) above), where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such capital distribution by the fraction:

$$\frac{A - B}{A}$$

where A is the current market price per Share on the date on which the capital distribution is first publicly announced and B is the fair market value of the portion of the capital distribution attributable to one Share;

- (iv) a rights issue of Shares or options over Shares to all or substantially all Shareholders as a class at a consideration per Share the fair market value of which is less than 85% of the current market price per Share on the date of the first public announcement of the terms of the issue or grant, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue or grant by the fraction:

$$\frac{A + B}{A + C}$$

where A is the aggregate number of Shares in issue immediately before such announcement, B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options, warrants or other rights comprised therein would purchase at such current market price per Share, and C is the aggregate number of Shares issued or comprised in the issue or grant;

- (v) a rights issue of securities other than Shares or options over Shares to all or substantially all Shareholders as a class, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue or grant by the fraction:

$$\frac{A - B}{A}$$

where A is the current market price per Share on the date on which such issue or grant is publicly announced and B is the fair market value per Share on the date of such announcement of the portion of the securities, rights, options, warrants or other rights attributable to one Share;

- (vi) an issue (otherwise than by way of rights) of any Shares, or the issue or grant of options, warrants or other rights to subscribe for or purchase Shares (including in connection with any deferment, adjustment or restructuring of indebtedness), at a price per Share the fair market value of which is less than 85% of the current market price per Share on the date of the first public announcement of the terms of such issue or grant, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue by the fraction:

$$\frac{A + B}{C}$$

where A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights, B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares would purchase at such current market price per Share, and C is the aggregate number of Shares in issue immediately after the issue of such additional Shares;

- (vii) an issue by the Company or any of its subsidiaries of any securities (other than the MCB) carrying rights of conversion into, or exchange or subscription for, Shares at a consideration per Share the fair market value of which is less than 85% of the current market price per Share on the date of the first public announcement of the terms of issue of such securities, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue by the fraction:

$$\frac{A + B}{A + C}$$

where A is the aggregate number of Shares in issue immediately before such issue, B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription would purchase at such current market price per Share, and C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription at the initial conversion, exchange or subscription price on the issue date;

(viii) any modification of the rights of conversion, exchange or subscription attaching to any securities as referred to in (vii) above so that the fair market value of the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 85% of the current market price per Share on the date of the first public announcement of the proposals for such modification, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such modification by the fraction:

$$\frac{A + B}{A + C}$$

where A is the aggregate number of Shares in issue immediately before such modification, B is the maximum number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion, exchange or exercise of the right of subscription attached to the securities so modified would purchase at such current market price per Share or, if lower, the existing conversion, exchange or subscription price of such securities, and C is the maximum number of Shares to be issued on conversion or exchange of such securities or on exercise of such rights at the modified conversion, exchange or subscription price;

- (ix) an issue, sale or distribution by the Company, any of its subsidiaries or any other company, person or entity (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) of any securities pursuant to an offer in which the Shareholders generally are entitled to participate (except where the MCB Conversion Price falls to be adjusted under (iv), (v), (vi) or (vii) above), where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue, sale or distribution by the fraction:

$$\frac{A - B}{A}$$

where A is the current market price per Share on the date on which such issue, sale or distribution is first publicly announced and B is the fair market value of the portion of the rights attributable to one Share; and

- (x) in the event that the Company (in consultation with the calculation agent) determines that an adjustment should be made as a result of one or more events or circumstances not referred to above, the Company shall, at its own expense, consult an independent financial adviser to determine what adjustment (if any) to the MCB Conversion Price is fair and reasonable to take account thereof and when such adjustment should take effect, provided that any such adjustment shall not result in a per Share value that exceeds the per Share value of the dilution in the Shareholders' interest caused by such events or circumstances, each as further detailed in the terms and conditions of the MCB.

Conversion:

Voluntary conversion:

The MCB may be voluntarily converted by any holder of the MCB to Shares by delivering a conversion notice to convert all or part of the MCB held by such holder from the issue date of the MCB up to and including 3:00 pm on the Voluntary Conversion Period End Date. As disclosed in the section headed “*Effect on the Shareholding Structure of the Company*” in this letter from the Board, the Company is not aware of circumstances which would cause the Company to have insufficient public float upon full conversion of the MCB.

Mandatory conversion:

- (1) 50% of the initial issue size on the Restructuring Effective Date (the “**RED Mandatory Conversion**”);
- (2) 25% of the initial issue size on 31 December 2026 (less the aggregate principal amount of the MCB voluntarily converted during the period ending on 31 December 2026); and
- (3) remaining principal amount of the MCB shall be mandatorily converted into Shares on the maturity date of the MCB.

In any relevant year, no mandatory conversion shall apply if the total conversion (including voluntary conversion) of the MCB at any relevant time of the year exceeds the annual minimum conversion threshold described above.

Notwithstanding anything to the contrary in the preceding paragraphs, there shall be no mandatory conversion of the MCB upon the occurrence of any of the following:

- (a) the occurrence of any event of default under the MCB, STN and/or LTN until such event of default is cured or waived by the holders of the MCB, STN and/or LTN;
- (b) if the Shares are delisted or suspended from trading, until the later of (x) resumption of trading of the Shares on the relevant stock exchange and (y) to the extent the foregoing constitutes a “Relevant Event” based on prongs (i) and (ii) of its definition, the expiry of the Relevant Event Redemption Notice Period;
- (c) when there is a Change of Control, until the expiry of the Relevant Event Redemption Notice Period.

Ranking of MCB

Conversion Shares:

The MCB Conversion Shares allotted and issued upon conversion of the MCB will be fully paid and will rank *pari passu* in all respects with the Shares in issue, including the right to any dividend or distribution the record date of which falls on or after the date of allotment.

Redemption at the option of the Company:

At any time prior to the maturity date of the MCB, the Company may redeem all or any part of the outstanding MCB at their principal amount to be so redeemed subject to and in accordance with the terms and conditions of the MCB.

Redemption for Relevant Event:

Following the occurrence of any of the Relevant Events, any holder of the MCB will have an option to require the Company to redeem all or some of the MCB at par.

Events of Default

Events of default under the MCB include: payment default in respect of principal on the MCB when due; default in the performance of the consolidation, merger and sale of assets provisions, failure by the Company to make or consummate an offer to purchase, or failure to create or maintain required security over collateral (subject to permitted liens); failure to provide financial statements; breach of any other covenant or agreement in the terms of the MCB; cross-acceleration in respect of indebtedness of the Company or any of its Restricted Subsidiaries of USD15,000,000 (equivalent to HK\$117,000,000) or more in aggregate (excluding onshore indebtedness and the OCP Loan); unpaid final judgements or orders exceeding USD15,000,000 (equivalent to HK\$117,000,000) in aggregate; involuntary bankruptcy or insolvency proceedings, or entry of an order for relief (excluding proceedings related to onshore indebtedness or certain enforcement actions in respect of the OCP Loan); voluntary bankruptcy or insolvency proceedings by the Company or any significant Restricted Subsidiary (excluding proceedings related to onshore indebtedness or certain enforcement actions in respect of the OCP Loan); repudiation or disaffirmation by any of the Subsidiary Guarantors of its guarantee obligations, or any such guarantee being determined to be unenforceable, invalid or otherwise ceasing to be in full force and effect; and failure to deliver MCB Conversion Shares following conversion. Certain of the foregoing events of default are also subject to applicable grace periods.

There is no default interest under the events of default.

Transferability

The MCB, which will be listed, are transferable without the consent of the Company. The Company will comply with the applicable requirements of Chapter 14A of the Listing Rules to the extent future issuances of MCB Conversion Shares constitute connected transactions in addition to those contemplated in this circular.

As disclosed in the section headed “Effect on the Shareholding Structure of the Company” in this letter from the Board, the Company is not aware of circumstances which would cause the Company to have insufficient public float upon full conversion of the MCB.

Key covenants:

The MCB will include affirmative obligations concerning the provision of financial statements and other quarterly, semi-annual and annual reports, the maintenance of qualified independent auditors and the notification to the National Development and Reform Commission of the PRC or its local counterparts and the China Securities Regulatory Commission of the PRC or its local counterpart.

The MCB will also contain a restrictive covenant limiting the Company and its Restricted Subsidiaries from the granting of liens, other than specified permitted liens, and any Restricted Subsidiary which is not a Subsidiary Guarantor from guaranteeing any indebtedness of the Company or any Subsidiary Guarantor, unless such Restricted Subsidiary executes a supplemental trust deed providing for an unsubordinated guarantee and waives all rights of reimbursement, indemnity or subrogation against the Company or any other Restricted Subsidiary until the MCB have been paid in full, or such guarantee is permitted under the STN or LTN.

Form, denomination and registration:

The MCB will be only issued in fully registered form and will be initially represented by one or more global certificates.

The minimum denomination will be USD1 and integral multiples of USD1 in excess thereof.

Listing:

An application will be made by the Company for the listing and quotation of the MCB on the Singapore Stock Exchange.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the MCB Conversion Shares.

MCB Conversion Shares

Based on the initial MCB Conversion Price, a total of 2,571,858,330 MCB Conversion Shares will be allotted and issued upon full conversion of the MCB, which respectively represent approximately (i) (assuming full conversion of the MCB at the initial MCB Conversion Price) 44.55% of the number of issued Shares as at the Latest Practicable Date; (ii) (assuming full conversion of the MCB at the initial MCB Conversion Price) 30.82% of the number of issued Shares as enlarged by the issuance of MCB Conversion Shares; (iii) 14.20% of the number of issued Shares as enlarged by the issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming only RED Mandatory Conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares; and (iv) 13.26% of the number of issued Shares as enlarged by the issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming full conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares, in each case assuming there is no other change in the number of issued Shares from the Latest Practicable Date up to the maturity date of the MCB.

The initial MCB Conversion Price of HK\$1.52 represents:

- (1) a premium of 1,800.00% over the closing price of HK\$0.080 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of 1,709.52% over the closing price of HK\$0.084 per Share as quoted on the Stock Exchange on 16 February 2026, being the last trading day before the Scheme Meetings;
- (3) a premium of 1,744.66% over the average closing price of HK\$0.082 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (4) a premium of 1,776.54% over the average closing price of HK\$0.081 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day.

The Board is of the view that the net asset value per Share is not a meaningful reference to determine the issue price of the MCB Conversion Shares, taking into account the fact that the Company was in a net liability position as at 31 December 2025, as disclosed in the Company's audited financial statements for that year.

The MCB Conversion Price was determined after arm's length negotiation between the Company and the Ad Hoc Group having considered (i) the Scheme Creditors' Claims to be discharged and the discount applied to the principal amount; (ii) zero coupon rate, which means the MCB will not create any immediate liquidity pressure on the Group; (iii) the balancing of the dilution impact of various equity issuances (namely Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares) on the Restructuring Effective Date and upon conversion of the MCB, taking into account the commercial ask that Shares issued to the Scheme Creditors under the Proposed Debt Restructuring collectively make up a considerable portion of ownership of the Company to reflect the value of compromise made by the Scheme Creditors and also to allow holders of Shares to participate in the future returns of the Group as and when its business operations improve; (iv) the impact of the issue price on the level of support from the Scheme Creditors; (v) the distressed financial condition of the Company; (vi) the prevailing market conditions and sentiment with regard to the real estate industry in the PRC, which is not expected to record significant growth in the near future; and (vii) the difficulties faced by the Company in accessing external financing for the repayment of the Existing Notes and Existing Additional Debt Instruments.

Conditions of the issuance of MCB

The issuance of MCB is conditional upon the fulfilment of each of the following conditions:

- (1) the Increase in Authorised Share Capital having become effective;
- (2) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the issuance of MCB and transactions contemplated thereunder;
- (3) the Singapore Stock Exchange granting the approval in principle for the listing of the MCB;
- (4) the Listing Committee granting the listing of, and permission to deal in, the MCB Conversion Shares; and
- (5) the occurrence of the Restructuring Effective Date.

None of the above conditions are waivable. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

3. STN

The principal terms of the STN to be issued (i) as part of the Scheme Consideration, (ii) consent fee payable pursuant to the RSA and (iii) work fee payable pursuant to the Ad Hoc Group Work Fee Letter on the Restructuring Effective Date are summarised as follows.

Issuer: The Company

Subscribers: Subscribers (not less than six in number), being (i) Scheme Creditors who have validly elected or been assigned or re-allocated to Option 1 of the Scheme Consideration; (ii) Participating Creditors who have validly elected to, or are entitled to, receive the early consent fee or general consent fee in the form of STN in accordance with the terms of the RSA; and (iii) the Ad Hoc Group who are entitled to additional work fee in the form of STN in accordance with the Ad Hoc Group Work Fee Letter

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries after taking into account publicly available information, the Subscribers of the STN and their ultimate beneficial owners (other than Ms. Zeng, Fantasy Pearl International Limited, Baocollection Limited and Mr. Guo) are independent of the Company and its connected persons.

Principal amount: USD632,473,681 (equivalent to approximately HK\$4,933,294,712) (of which STN in the principal amount of USD743,218 (equivalent to approximately HK\$5,797,100) will be issued to Fantasy Pearl International Limited, USD2,049,846 (equivalent to approximately HK\$15,988,799) will be issued to Baocollection Limited, and USD23,974 (equivalent to approximately HK\$186,997) will be issued to Mr. Guo, respectively), comprising:

- (1) USD626,478,964 (equivalent to approximately HK\$4,886,535,919) as part of the Scheme Consideration, representing 25% of the Scheme Creditors' Claims assigned or allocated to Option 1 of the Scheme Consideration;

- (2) USD5,994,717 (equivalent to approximately HK\$46,758,793) being the sum of (i) early consent fee payable pursuant to the terms of the RSA, representing 0.1% of the aggregate outstanding principal amount of the Early Eligible Participating Debt held by Participating Creditors (the outstanding principal amount being USD1,339,495,000, equivalent to approximately HK\$10,448,061,000) who validly elected to receive the early consent fee in the form of STN; (ii) general consent fee payable pursuant to the terms of the RSA, representing 0.1% of the aggregate outstanding principal amount of the General Eligible Participating Debt held by Participating Creditors (the outstanding principal amount being USD243,313,000, equivalent to approximately HK\$1,897,841,400); and (iii) additional work fee payable to the Ad Hoc Group in accordance with the Ad Hoc Group Work Fee Letter, representing the difference between (a) 0.1% of the Scheme Creditors' Claims and (b) the general consent fee that is actually paid on or prior to the Restructuring Effective Date

Interest:

Interest on the outstanding principal amount of the STN shall accrue at 3.00% per annum from 31 December 2025, payable semi-annually in arrears in cash unless the Company elects to pay all or a portion of such interest in paid-in-kind interest (PIK) in the following manner:

- (1) from and including 31 December 2025 to but excluding 31 December 2027, the Company may elect to pay up to all of the interest due on each interest payment date in PIK;
- (2) from and including 31 December 2027 to but excluding 31 December 2028, (i) up to 2.50% per annum in PIK as the Company may elect; and (ii) at least 0.5% per annum in cash as the Company may elect;

- (3) from and including 31 December 2028 to but excluding 31 December 2029, (i) up to 2.00% per annum in PIK as the Company may elect; and (ii) at least 1.0% per annum in cash as the Company may elect; and
- (4) from and including 31 December 2029 to but excluding 31 December 2031, all of the interest due on each interest payment date in cash

The interest rate was determined through arm's length commercial negotiations with the Ad Hoc Group and with reference to similar companies issuing instruments as part of similar debt restructuring exercises.

Maturity date: 31 December 2031

Guarantee: Corporate guarantees from the Subsidiary Guarantors

Mandatory redemption: On each redemption date set forth below, the Company shall redeem at least the STN Minimum Principal Amount (as defined below) at a redemption price equal to 100% of the principal amount of the STN thereof plus accrued and unpaid interest (if any) to the relevant mandatory redemption date as set forth below:

| STN mandatory redemption date | Relevant principal amount (on a cumulative basis) |
|--------------------------------------|--|
| 31 December 2029 | 20% of the original issue amount of the STN |
| 31 December 2030 | 50% of the original issue amount of the STN |

“**STN Minimum Principal Amount**” means, with respect to any STN mandatory redemption date, the greater of (i) zero and (ii) an amount equivalent to (a) the required principal amount set forth above *minus* (b) the aggregate principal amount of the STN redeemed at par and on a pro rata basis in respect of all STN then outstanding in accordance with the terms thereof, from the original issue date up to but excluding the relevant STN mandatory redemption date.

**Repurchase upon a
Change of Control:**

Upon a Change of Control (or, in the event the STN are rated in the future, a Change of Control accompanied by a ratings downgrade), the Company shall make an offer to repurchase all STN outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest (if any) to the date of repurchase.

Security:

The STN are secured by:

- (1) first ranking security over all issued share capital of Fantasia Financial Community Group Co., Ltd, Fantastic Victory Limited, Fantasia Investment, Fantasia Financial Community Group (Hong Kong) Co., Limited, Hong Kong Huawanli Trading Co., Limited ^(Note 1) and all issued share capital of Atlantis Fantasy Pearl Holdings, LLC (held as to 76.5% by Fantasy Pearl, LLC as at the Latest Practicable Date) held by Fantasy Pearl, LLC (held as to 95% by Fantasy Pearl International Limited as at the Latest Practicable Date) from time to time ^(Note 2);

Notes:

- (1) The sum of the total assets of Fantasia Financial Community Group Co., Ltd, Fantastic Victory Limited, Fantasia Investment, Fantasia Financial Community Group (Hong Kong) Co., Limited and Hong Kong Huawanli Trading Co., Limited as at 31 December 2025 was RMB2,952,866,945 (equivalent to approximately HK\$3,198,938,206).
- (2) The security over the issued share capital of Atlantis Fantasy Pearl Holdings, LLC, the total assets of which as at 31 December 2025 was USD7,100,000 (equivalent to HK\$55,380,000), which is indirectly held by Fantasy Pearl International Limited, represents the Company’s receipt of financial assistance from a connected person. As the said financial assistance is on normal commercial terms or better and is not secured by any assets of the Group in return, such transaction is fully exempt from reporting, announcement and independent shareholder approval requirements pursuant to Rule 14A.90 of the Listing Rules.

- (2) first ranking security over the Project Moonlight secured account (the “**Project Moonlight Secured Account**”), being a bank account established for the purpose of ringfencing cash generated under the cash sweep undertakings (please refer to the section headed “Key covenants” below for further details on the cash sweep covenant in relation to the Project Moonlight Secured Account) in relation to the “**Project Moonlight**” comprising six healthcare facilities in the United States of America indirectly held by Atlantis Fantasy Pearl Holdings, LLC. The primary asset of Atlantis Fantasy Pearl Holdings, LLC is the Project Moonlight;
- (3) first ranking security over the specified assets secured account (the “**Specified Assets Secured Account**”), being an offshore bank account established for the purpose of ringfencing cash generated under the cash sweep undertakings in relation to the specified assets (primarily property projects or assets); and
- (4) first ranking security over the onshore secured account (the “**Onshore Secured Account**”), being an onshore bank account established for the purpose of ringfencing cash generated under the cash sweep undertakings in relation to the specified assets (primarily property projects or assets).

As the security over the Project Moonlight Secured Account, the Specified Assets Secured Account and the Onshore Secured Account relates to net cash proceeds from the disposal of the relevant assets (and not the assets themselves), the value of the security depends on the amount of sale proceeds deposited into the relevant account (which is maintained in the name of either the Company or its subsidiary). As at 31 December 2025, the aggregate book value of the specified assets, as described in sub-paragraphs (3) and (4) above, amounted to approximately RMB6.31 billion (equivalent to approximately HK\$6.84 billion). The obligation to deposit funds only arises after satisfaction of remittance conditions including obtaining all applicable approvals, ensuring the lawfulness of the transfer and the relevant bank accounts being fully operational and free from restrictions. For the avoidance of doubt, (i) the aforesaid aggregate book value does not constitute any indication as to the Company's ability to dispose of the relevant assets; (ii) the aforesaid aggregate book value does not constitute any representation that the relevant assets could be sold at such valuation; and (iii) there is no obligation on the part of the Company to deposit funds into the secured accounts if no disposal of the relevant assets has been effected.

Given cash proceeds deposited into the secured accounts are ringfenced for the purpose of settling amounts due under the STN and the LTN, the enforcement of such security on its own will not have any additional impact on the financial position of the Company as the cash proceeds cannot be used for any other purposes.

Colour Life Shares:

In addition to other financial resources available to the Company from time to time, the Company shall use (i) dividends and other distributions from the Colour Life Shares and (ii) net consideration from the disposal of the Colour Life Shares to repay, repurchase or redeem the STN at par in respect of all the outstanding STN (only after the STN has been repaid, repurchased or redeemed in full), followed by the LTN, after deducting the following amounts:

- (1) the Group's offshore operating expenses, subject to a cap of USD3,000,000 (equivalent to HK\$23,400,000) per fiscal year; and
- (2) any other reasonable fees and expenses incurred in connection with the maintenance of the escrow account.

As at the Latest Practicable Date, the Company has no immediate plans to dispose of the Colour Life Shares.

Amendments:

Amendments to certain key provisions of the STN, including but not limited to maturity, principal amount, interest, premium, mandatory redemptions (including pursuant to the specified assets and Project Moonlight cash sweeps), ranking, certain waivers, certain releases of guarantees and certain releases of collateral, among others, shall be subject to the consent of holders of not less than 75% of the aggregate outstanding principal amount of the STN.

Key covenants:

The STN will contain restrictive covenants, with the key restrictive covenants (which the Company believes to be material) being the making of restricted payments including investments and dividends, the granting of liens, the disposal of assets outside of the ordinary course of business and transactions with affiliates, in each case subject to various non-material customary exceptions and permissions.

The STN will also include affirmative obligations, with the key obligations (which the Company believes to be material) concerning the provision of financial statements and other quarterly, semi-annual and annual reports and the maintenance of qualified independent auditors.

The STN will also include a cash sweep covenant pursuant to which the Company will be required to deposit a portion of the net consideration (after specified permitted withholdings) arising from disposals of the specified assets into the Onshore Secured Account and, once the balance of the Onshore Secured Account reaches USD15,000,000 (equivalent to HK\$117,000,000), to undertake certain steps to seek approval and, following approval, to transfer such amounts to the Specified Assets Secured Account. Within 30 days of the balance of the Specified Assets Secured Account exceeding USD15,000,000 (equivalent to HK\$117,000,000), the Company will be required to redeem or repurchase the STN, followed by the LTN, on a pro rata basis at par.

Finally, the STN will also include a cash sweep covenant pursuant to which the Company will be required to procure the deposit of net proceeds (after specified permitted withholdings) arising from disposal of the Project Moonlight into the Project Moonlight Secured Account and, once the balance of the Project Moonlight Secured Account reaches USD5,000,000 (equivalent to HK\$39,000,000), to apply the balance in the following order:

- (1) first, payment of any cash interest that is due and payable under the STN at such time;
- (2) second, reserving a debt service reserve to cover amounts payable under the STN in the next 12 calendar months; and
- (3) third, using any remaining balance to redeem or repurchase the STN on a pro rata basis at par.

In the event that the Project Moonlight is not disposed of by 31 December 2027, a step-in right has been granted to the collateral agent to effect such disposal.

Events of default: The STN will contain customary events of default with customary grace periods, including principal and interest payment defaults, mandatory redemption defaults, covenant breaches, voluntary and involuntary insolvency proceedings, and certain defects in guarantees and collateral.

The STN will also contain a cross-acceleration clause and an event of default in respect of final judgments, in each case where the accelerated indebtedness or judgment amount exceeds USD15,000,000 (equivalent to HK\$117,000,000).

The events of default arising from cross acceleration, judgments, and voluntary and involuntary insolvency proceedings will exclude such events arising from any onshore indebtedness for the first two years, from any onshore indebtedness that existed as of Restructuring Effective Date thereafter, and from certain enforcement actions in respect of the OCP Loan.

Form, denomination and registration: The STN will be only issued in fully registered form and will be initially represented by one or more global certificates.

The minimum denomination will be USD1 and integral multiples of USD1 in excess thereof.

Listing: An application will be made by the Company for the listing and quotation of the STN on the Singapore Stock Exchange.

The terms of the STN were determined after arm's length negotiation between the Company and the Ad Hoc Group having considered (i) the Scheme Creditors' Claims to be discharged and the discount applied to the principal amount; (ii) the option of paying part of the interest due in PIK, which will not create any immediate liquidity pressure on the Group; (iii) the distressed financial condition of the Company; (iv) the prevailing market conditions and sentiment with regard to the real estate industry in the PRC, which is not expected to record significant growth in the near future; and (v) the difficulties faced by the Company in accessing external financing for the repayment of the Existing Notes and Existing Additional Debt Instruments.

Conditions of the issuance of STN

The issuance of STN is conditional upon the fulfilment of each of the following conditions:

- (1) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the issuance of STN and transactions contemplated thereunder;
- (2) the Singapore Stock Exchange granting the approval in principle for the listing of the STN; and
- (3) the occurrence of the Restructuring Effective Date.

None of the above conditions are waivable. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

4. LTN

The principal terms of the LTN to be issued as part of the Scheme Consideration on the Restructuring Effective Date are summarised as follows.

Issuer: The Company

Subscribers: Subscribers (not less than six in number), being Scheme Creditors who have validly elected or been assigned or re-allocated to Option 2 of the Scheme Consideration

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries after taking into account publicly available information, the Subscribers of the LTN and their ultimate beneficial owners (other than Ms. Zeng, Fantasy Pearl International Limited, Baocollection Limited, and Mr. Guo) are independent of the Company and its connected persons.

Principal amount: USD809,603,733 (equivalent to approximately HK\$6,314,909,117) (of which LTN in the principal amount of USD611,760 (equivalent to approximately HK\$4,771,728) will be issued to Fantasy Pearl International Limited, USD1,687,276 (equivalent to approximately HK\$13,160,753) will be issued to Baocollection Limited, and USD19,734 (equivalent to approximately HK\$153,925) will be issued to Mr. Guo, respectively), representing 60% of the Scheme Creditors' Claims assigned or allocated to Option 2 of the Scheme Consideration

Interest: Interest on the outstanding principal amount of the LTN shall accrue at 3.00% per annum from 31 December 2025, payable semi-annually in arrears in cash unless the Company elects to pay all or a portion of such interest in paid-in-kind interest (PIK) in the following manner:

- (1) from and including 31 December 2025 to but excluding 31 December 2031, the Company may elect to pay up to all of the interest due on each interest payment date in PIK; and
- (2) from and including 31 December 2031 to but excluding 31 December 2034, all of the interest due on each interest payment date in cash

The interest rate was determined through arm's length commercial negotiations with the Ad Hoc Group and with reference to similar companies issuing instruments as part of similar debt restructuring exercises.

Maturity date: 31 December 2034

Guarantee: Same as STN

Mandatory redemption: On each redemption date set forth below, the Company shall redeem at least the LTN Minimum Principal Amount (as defined below) at a redemption price equal to 100% of the principal amount of the LTN thereof plus accrued and unpaid interest (if any) to the relevant mandatory redemption date as set forth below:

| LTN mandatory redemption date | Relevant principal amount (on a cumulative basis) |
|--------------------------------------|--|
| 31 December 2032 | 25% of the original issue amount of the LTN |
| 31 December 2033 | 50% of the original issue amount of the LTN |

“**LTN Minimum Principal Amount**” means, with respect to any LTN mandatory redemption date, the greater of (i) zero and (ii) an amount equivalent to (a) the required principal amount set forth above *minus* (b) the aggregate principal amount of the LTN redeemed at par and on a pro rata basis in respect of all LTN then outstanding in accordance with the terms thereof, from the original issue date up to but excluding the relevant LTN mandatory redemption date.

**Repurchase upon a
Change of Control:**

Same as STN

Security:

Same as STN, but without the benefit of the security over all issued share capital of Atlantis Fantasy Pearl Holdings, LLC held by Fantasy Pearl, LLC and the security over the Project Moonlight Secured Account. Please refer to further information on the security value as described under the section headed “STN – Security” in this letter from the Board.

In the event a default occurs under STN, this will trigger a cross-default under the LTN (and vice versa), and STN and LTN will have the same priority of enforcement between themselves with respect to the common security package.

Colour Life Shares:

Same as STN, to the extent applicable to LTN

Amendments:

Amendments to certain key provisions of the LTN, including but not limited to maturity, principal amount, interest, premium, mandatory redemptions (including pursuant to the specified assets cash sweep), ranking, certain waivers, certain releases of guarantees and certain releases of collateral, among others, shall be subject to the consent of holders of not less than 66.67% of the aggregate outstanding principal amount of the LTN.

Key covenants:

Same as STN, in the case of the cash sweep in respect of the specified assets, to the extent applicable to the LTN but without the benefit of the cash sweep in respect of Project Moonlight

Events of default: Same as STN

Form, denomination and registration: Same as STN

Listing: Same as STN

The terms of the LTN were determined after arm's length negotiation between the Company and the Ad Hoc Group having considered (i) the Scheme Creditors' Claims to be discharged and the discount applied to the principal amount; (ii) the option of paying part of the interest due in PIK, which will not create any immediate liquidity pressure on the Group; (iii) the distressed financial condition of the Company; (iv) the prevailing market conditions and sentiment with regard to the real estate industry in the PRC, which is not expected to record significant growth in the near future; and (v) the difficulties faced by the Company in accessing external financing for the repayment of the Existing Notes and Existing Additional Debt Instruments.

Conditions of the issuance of LTN

The issuance of LTN is conditional upon the fulfilment of each of the following conditions:

- (1) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the issuance of LTN and transactions contemplated thereunder;
- (2) the Singapore Stock Exchange granting the approval in principle for the listing of the LTN; and
- (3) the occurrence of the Restructuring Effective Date.

None of the above conditions are waivable. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

5. SCHEME FEE SHARES

The principal terms of the issuance of Scheme Fee Shares (comprising 173,935,261 Consent Fee Shares and 1,363,891,506 Work Fee Shares) on the Restructuring Effective Date are summarised as follows:

Subscribers: Subscribers (not less than six in number), being the Participating Creditors holding Early Eligible Participating Debt and the Ad Hoc Group

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries after taking into account publicly available information, the Subscribers of the Scheme Fee Shares and their ultimate beneficial owners (other than Ms. Zeng, Fantasy Pearl International Limited and Baocollection Limited) are independent of the Company and its connected persons.

Issue price: HK\$0.10 per Scheme Fee Share

Number of Shares: 1,537,826,767 Scheme Fee Shares, of which 483,600 Shares will be allotted and issued to Fantasy Pearl International Limited and 1,333,800 Shares will be allotted and issued to Baocollection Limited

In particular, the Ad Hoc Group will be entitled to (i) 1,279,200,000 Shares, being the fixed work fee in the form of new Existing Shares; and (ii) 84,691,506 Shares, being the additional work fee in the form of new Existing Shares (which is determined based on the difference between (a) the number of Shares representing 0.1% of the Scheme Creditors' Claims (being 363,107,393 Shares) and (b) the number of Shares representing the amount of early consent fee that is actually paid on or prior to the Restructuring Effective Date). The fixed work fee and the additional work fee together represent the total work fee payable to the Ad Hoc Group pursuant to the Ad Hoc Group Work Fee Letter.

Ranking of Scheme Fee Shares: The Scheme Fee Shares allotted and issued will rank *pari passu* in all respects with the Shares in issue, including the right to any dividend or distribution the record date of which falls on or after the date of allotment.

Listing: An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Scheme Fee Shares.

Scheme Fee Shares

1,537,826,767 Scheme Fee Shares respectively represent approximately (i) 26.64% of the number of issued Shares as at the Latest Practicable Date; (ii) 21.04% of the number of issued Shares as enlarged by the issuance of Scheme Fee Shares; (iii) 8.49% of the number of issued Shares as enlarged by the issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming only RED Mandatory Conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares; and (iv) 7.93% of the number of issued Shares as enlarged by the issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming full conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares, in each case assuming there is no other change in the number of issued Shares from the Latest Practicable Date up to maturity date of the MCB.

The issue price of HK\$0.10 per Scheme Fee Share represents:

- (1) a premium of 25.00% over the closing price of HK\$0.080 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of 19.05% over the closing price of HK\$0.084 per Share as quoted on the Stock Exchange on 16 February 2026, being the last trading day before the Scheme Meetings;
- (3) a premium of 21.36% over the average closing price of HK\$0.082 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (4) a premium of 23.46% over the average closing price of HK\$0.081 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day.

The Board is of the view that the net asset value per Share is not a meaningful reference to determine the issue price of the Scheme Fee Shares, taking into account the fact that the Company was in a net liability position as at 31 December 2025, as disclosed in the Company's audited financial statements for that year.

The issue price of the Scheme Fee Shares was determined after arm's length negotiation between the Company and the Ad Hoc Group having considered (i) the Scheme Creditors' Claims to be discharged and the discount applied to the principal amount; (ii) the balancing of the dilution impact of various equity issuances (namely Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares) on the Restructuring Effective Date and upon conversion of the MCB with the intention that the Company would issue Scheme Fee Shares instead of making cash payments to settle the relevant fees to minimise the liquidity pressure, taking into account the prevailing trading price of the Shares at the relevant time and the par value of the Shares; (iii) the impact of

the issue price on the level of support from the Scheme Creditors; (iv) the distressed financial condition of the Company; (v) the prevailing market conditions and sentiment with regard to the real estate industry in the PRC, which is not expected to record significant growth in the near future; and (vi) the difficulties faced by the Company in accessing external financing for the repayment of the Existing Notes and Existing Additional Debt Instruments.

Conditions of the issuance of Scheme Fee Shares

The allotment and issuance of Scheme Fee Shares is conditional upon the fulfilment of each of the following conditions:

- (1) the Increase in Authorised Share Capital having become effective;
- (2) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the issuance of Scheme Fee Shares and transactions contemplated thereunder;
- (3) the Listing Committee granting the listing of, and permission to deal in, the Scheme Fee Shares; and
- (4) the occurrence of the Restructuring Effective Date.

None of the above conditions are waivable. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

6. LOAN CAPITALISATION

With respect to the Shareholder Loans, the Company proposes to implement the Loan Capitalisation on the Restructuring Effective Date, the principal terms of which are set out below:

Subscriber: Fantasy Pearl International Limited

Issue price: HK\$0.30 per Capitalisation Share

Number of Shares: 4,376,483,544 Shares, based on the aggregate outstanding principal amount of the Shareholder Loans of RMB1,211,949,289 (equivalent to approximately HK\$1,312,945,063) (details of which are set out in the section of this letter from the Board headed “Shareholder Loans”) and the issue price of HK\$0.30 per Capitalisation Share

All accrued but unpaid interest (including default interest) outstanding on the Shareholder Loans (being USD273,798,527 (equivalent to approximately HK\$2,135,628,511)) as at 12 February 2026) shall be waived on the Restructuring Effective Date and shall not be included for purposes of conversion under the Loan Capitalisation.

Ranking of Capitalisation Shares: The Capitalisation Shares allotted and issued will rank *pari passu* in all respects with the Shares in issue, including the right to any dividend or distribution the record date of which falls on or after the date of allotment.

Capitalisation Shares

The Capitalisation Shares respectively represent approximately (i) 75.81% of the number of issued Shares as at the Latest Practicable Date; (ii) 43.12% of the number of issued Shares as enlarged by the issuance of Capitalisation Shares; (iii) 24.16% of the number of issued Shares as enlarged by the issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming only RED Mandatory Conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares; and (iv) 22.56% of the number of issued Shares as enlarged by the issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming full conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares, in each case assuming there is no other change in the number of issued Shares from the Latest Practicable Date up to maturity date of the MCB.

The issue price of HK\$0.30 per Capitalisation Share represents:

- (1) a premium of 275.00% over the closing price of HK\$0.080 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of 257.14% over the closing price of HK\$0.084 per Share as quoted on the Stock Exchange on 16 February 2026, being the last trading day before the Scheme Meetings;
- (3) a premium of 264.08% over the average closing price of HK\$0.082 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (4) a premium of 270.37% over the average closing price of HK\$0.081 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day.

The Board is of the view the net asset value per Share is not a meaningful reference to determine the issue price of the Capitalisation Shares, taking into account the fact that the Company was in a net liability position as at 31 December 2025, as disclosed in the Company's audited financial statements for that year.

The issue price of the Capitalisation Shares was determined after arm's length negotiation between the Company, the Ad Hoc Group and Ms. Zeng having considered, among other things, (i) the Shareholder Loans to be discharged; (ii) the balancing of the dilution impact of various equity issuances (namely Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares) on the Restructuring Effective Date and upon conversion of the MCB with a view to allowing the controlling Shareholder to maintain reasonable control over the Company, which would in turn facilitate the Company's operations; (iii) the impact of the issue price on the level of support from the Scheme Creditors; (iv) Ms. Zeng's continued support for the Proposed Debt Restructuring through various means, including but not limited to the TFI Restructuring Agreement and the New Shareholder Loan; (v) the distressed financial condition of the Company; (vi) the prevailing market conditions and sentiment with regard to the real estate industry in the PRC, which is not expected to record significant growth in the near future; and (vii) the difficulties faced by the Company in accessing external financing for the repayment of the Existing Notes and Existing Additional Debt Instruments.

Conditions of the Loan Capitalisation

The allotment and issuance of Capitalisation Shares is conditional upon the fulfilment of each of the following conditions:

- (1) the Increase in Authorised Share Capital having become effective;
- (2) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Loan Capitalisation and transactions contemplated thereunder;
- (3) the Listing Committee granting the listing of, and permission to deal in, the Capitalisation Shares; and
- (4) the occurrence of the Restructuring Effective Date.

None of the above conditions are waivable. As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Upon completion of the Loan Capitalisation, the aggregate outstanding principal amount of the Shareholder Loans shall be deemed to have been fully repaid and the accrued but unpaid interests thereunder shall be waived on the Restructuring Effective Date.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company:

- (1) as at the Latest Practicable Date;
- (2) immediately after issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming only RED Mandatory Conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares on the Restructuring Effective Date;
- (3) immediately after issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming full conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares,

in each case assuming there is no other change in the number of issued Shares or the holding of Shares or MCB (other than conversion) from the Latest Practicable Date up to the maturity date of the MCB.

| | As at the Latest Practicable Date | | Immediately after issuance of Scheme Creditor Shares, MCB Conversion Shares ⁵ (assuming only RED Mandatory Conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares on the Restructuring Effective Date | | Immediately after issuance of Scheme Creditor Shares, MCB Conversion Shares ⁵ (assuming full conversion at the initial MCB Conversion Price), Scheme Fee Shares and Capitalisation Shares | |
|---|-----------------------------------|----------------------|--|----------------------|--|----------------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Ms. Zeng ¹ | 3,314,090,500 | 57.41 | 7,743,645,539 | 42.74 | 7,749,378,655 | 39.94 |
| Mr. Guo | - | - | 439,946 | 0.00 | 489,154 | 0.00 |
| TCL Industries Holdings Co., Ltd. ² | 1,012,740,000 | 17.54 | 1,012,740,000 | 5.59 | 1,012,740,000 | 5.22 |
| Subscribers (other than Ms. Zeng and Mr. Guo) ^{3, 4} | - | - | 7,913,968,439 | 43.68 | 9,194,114,847 | 47.39 |
| Public Shareholders | <u>1,445,767,364</u> | <u>25.05</u> | <u>1,445,767,364</u> | <u>7.98</u> | <u>1,445,767,364</u> | <u>7.45</u> |
| Total | <u><u>5,772,597,864</u></u> | <u><u>100.00</u></u> | <u><u>18,116,561,288</u></u> | <u><u>100.00</u></u> | <u><u>19,402,490,020</u></u> | <u><u>100.00</u></u> |

Notes:

1. Fantasy Pearl International Limited is owned as to 80% by Ice Apex Limited and 20% by Graceful Star Overseas Limited. Ice Apex Limited is wholly owned by Ms. Zeng. Baocollection Limited is wholly owned by Ms. Zeng. Ms. Zeng is deemed to be interested in the Shares held by Fantasy Pearl International Limited and Baocollection Limited for the purpose of Part XV of the SFO.

2. Li Rong Development Limited held 1,012,740,000 Shares. Li Rong Development Limited is wholly owned by TCL Industries Holdings (H.K.) Limited which is in turn wholly owned by TCL Industries Holdings Co., Ltd. TCL Industries Holdings Co., Ltd. is deemed to be interested in the Shares held by Li Rong Development Limited for the purpose of Part XV of the SFO.
3. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries after taking into account publicly available information, none of the Subscribers (other than Ms. Zeng and Fantasy Pearl International Limited) is a Shareholder as at the Latest Practicable Date.
4. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries after taking into account publicly available information, none of the Subscribers (other than Ms. Zeng and Fantasy Pearl International Limited) will be interested in 10% or more of the issued share capital of the Company immediately after the issuances of Shares on the Restructuring Effective Date and full conversion of the MCB, respectively, in each case assuming there is no other change in the number of issued Shares or the holding of Shares or MCB (other than conversion) from the Latest Practicable Date up to the maturity date of the MCB and the MCB is converted at the initial MCB Conversion Price. In light of the aforesaid, none of the Subscribers (other than Ms. Zeng, Fantasy Pearl International Limited, Baocollection Limited and Mr. Guo) is expected to become a connected person of the Company immediately after occurrence of the Restructuring Effective Date.
5. The number of MCB Conversion Shares is determined based on each custody instruction received (subject to rounding), assuming there is no voluntary conversion.
6. As at the Latest Practicable Date, the Company had no outstanding options, warrants or other convertible securities which were convertible into Shares.

REASONS FOR AND BENEFITS OF THE ISSUANCES OF SCHEME CREDITOR SHARES, MCB, STN, LTN, SCHEME FEE SHARES AND LOAN CAPITALISATION

As at 31 December 2025, the Group had approximately RMB68,596,408,000 (equivalent to approximately HK\$74,312,752,467.86) of indebtedness, comprising (i) the Existing Notes and Existing Additional Debt Instruments; (ii) the Shareholder Loans; and (iii) other liabilities which are excluded from the Schemes and Loan Capitalisation. As disclosed in the Restructuring Announcements, the Schemes and the Loan Capitalisation seek to address existing offshore indebtedness of the Company (after novation of the Shareholder Loans) in the aggregate outstanding principal amount of approximately USD4,823.5 million (equivalent to approximately HK\$37,623.7 million), comprising Existing Notes in an aggregate outstanding principal amount of USD4,018.4 million (equivalent to approximately HK\$31,343.2 million), Existing Additional Debt Instruments in an aggregate outstanding principal amount of USD636.9 million (equivalent to approximately HK\$4,967.6 million) and the Shareholder Loans in principal amount of RMB1,211,949,289 (equivalent to approximately HK\$1,312,945,063), in exchange for the issuance of new Existing Shares (comprising Scheme Creditor Shares, Scheme Fee Shares, Capitalisation Shares and MCB Conversion Shares upon conversion of the MCB) and debt securities (comprising STN and LTN in the aggregate principal amount of approximately USD1,442.1 million) (equivalent to approximately HK\$11,248.2 million), thereby achieving a 70% principal reduction in the Company's indebtedness as at 31 December 2025. As at 31

December 2025, the amount of the Company's liabilities excluded from the Schemes and Loan Capitalisation was approximately RMB348.8 million (equivalent to approximately HK\$377.9 million), which the Company will continue to address through measures including but not limited to taking steps to accelerate pre-sales and sales of the Group's properties under development and completed properties, exploring disposal of the Group's equity interests in certain project development companies or assets, discussing with existing lenders on the renewal of certain of the Group's borrowings and other liability management measures as appropriate.

Subject to the occurrence of the Restructuring Effective Date:

- (a) Scheme Creditors who have validly elected or been assigned or re-allocated Option 1, 2 and/or 3 of the Scheme Consideration will receive one or a combination of (Option 1) STN and MCB, (Option 2) LTN and Scheme Creditor Shares, and/or (Option 3) Scheme Creditor Shares; and
- (b) the Group will achieve a significant deleveraging as it would discharge the Scheme Creditors' Claims (together with interest) in exchange for issuing the STN, LTN, MCB and Scheme Creditor Shares. As the tenor of either of the STN and LTN exceeds five years, none of the newly issued notes will be classified as current liabilities of the Group upon their issuance. Upon completion of the Loan Capitalisation, the Group will also compromise the Shareholder Loans, thereby achieving further deleveraging. The debt reduction as result of the aforesaid transactions will significantly improve the overall financial position of the Group and alleviate the immediate liquidity pressure on the Group.

The Schemes received overwhelming support from approximately 99.67% of the total value of the Scheme Creditors' voting claims voting at the Scheme Meetings, which is a strong testament of the Scheme Creditors' support for both the Proposed Debt Restructuring (including but not limited to its terms and implementation) as well as the continued operations of the Company.

Apart from the Proposed Debt Restructuring, the Board explored alternative fundraising methods such as equity financing and debt financing. For instance, as disclosed in the announcement of the Company dated 8 April 2022, the Company entered into an agreement with Gortune Alternative Fund Management (Zhuhai Hengqin) Co., Ltd.* ("**Gortune Alternative**") with a view to, among other things, promoting the effective implementation of an overall debt restructuring plan including positioning Gortune Alternative (or a party designated by it) as a possible strategic investor in the Group's debt restructuring, which subsequently did not materialise due to reasons including industry outlook and market conditions. On the other hand, the Company explored debt financing but there was no commercially viable option as the Company was in default and credit rating agencies withdrew ratings of the Company. Nonetheless, ongoing negotiations in relation to, and the implementation of, the Proposed Debt Restructuring made it challenging to seek fundraising alternatives for repaying the Existing Notes,

Existing Additional Debt Instruments and Shareholder Loans given (A) the potential impact of the Proposed Debt Restructuring on the future shareholding, liquidity position and repayment ability of the Company, and (B) the potential consequences in the event the Proposed Debt Restructuring does not proceed. The Board was of the view that compromising the Existing Notes, Existing Additional Debt Instruments and Shareholder Loans in exchange for the issuance of new debt instruments for the same (or slightly reduced) principal amount would not adequately address the liquidity concerns faced by the Group. In the circumstances, the Board considered it would be more appropriate to issue the Scheme Creditor Shares and MCB as part of the Scheme Consideration and Capitalisation Shares under the Loan Capitalisation so that the Company could reduce the amount of outstanding indebtedness and alleviate liquidity pressures, whilst allowing holders of Shares to participate in the future returns of the Group as and when its business operations improve. As for the STN and LTN to be issued under the Proposed Debt Restructuring, given the tenor of either of the STN and LTN exceeds five years, none of the newly issued notes will be classified as current liabilities of the Group upon their issuance.

As mentioned above, the issue prices of the Scheme Creditor Shares/MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares represent the outcome of arm's length discussions when the relevant parties negotiated the overall economics and terms of the Proposed Debt Restructuring. Whilst the share issuances are all effected with a view to achieving deleveraging, the issue prices are not identical as the nature of the share issuances is not the same, namely Scheme Creditor Shares/MCB Conversion Shares as consideration for the compromise of the relevant portion of the Scheme Creditors' Claims, Scheme Fee Shares as incentive to attract support for the Proposed Debt Restructuring and to recognise the Ad Hoc Group for their assistance and time devoted to negotiations, and the Capitalisation Shares as consideration for the compromise of the Shareholder Loans. In negotiating and determining the issue prices, the relevant parties have also considered the significance of reflecting the value of compromise made by the relevant creditors (thereby collectively making up a considerable portion of ownership of the Company) as well as allowing the controlling Shareholder to maintain reasonable control over the Company to facilitate future operations.

As the Scheme Creditor Shares, MCB, STN, LTN, Scheme Fee Shares and Capitalisation Shares are issued in connection with the Company's debt restructuring exercise, the Company will not receive any cash proceeds from such issuances.

Taking into account (i) the reasons for the issuance of Scheme Creditor Shares, MCB, STN, LTN, Scheme Fee Shares and Capitalisation Shares (noting the Proposed Debt Restructuring is the Company's further attempt after it was no longer feasible to proceed with the debt restructuring exercise on the terms disclosed in the announcement of the Company dated 29 April 2024); (ii) the deleveraging to be achieved with respect to the Company's balance sheet, including the reduction in the Group's indebtedness level as a result of the Proposed Debt Restructuring as well as the fact that the MCB does not bear interest and the tenor of either of the STN and LTN exceeds five years; (iii) the significance of securing financial resources for settling fees and expenses under the Proposed Debt Restructuring (by virtue of the New Shareholder Loan), settlement of which is a condition to occurrence of the Restructuring Effective Date; (iv) the significance of Scheme Fee Shares as an incentive to facilitate implementation of the Proposed Debt Restructuring and (v) potential consequences if the Company enters insolvent liquidation should the Proposed Debt Restructuring fail or cannot be implemented in a timely fashion, in which case (A) estimated recoveries to creditors would be very low and (B) no recovery would be made to Shareholders, the Board (other than the independent non-executive Directors (including Mr. Guo) and Ms. Zeng who abstained from voting at the relevant Board meeting) is of the view that the overall level of dilution resulting from the issuance of Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares (as disclosed in the section headed "Effect on the Shareholding Structure of the Company" in the letter from the Board of this circular) is acceptable.

LISTING RULES IMPLICATIONS

The Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares will be allotted and issued under the specific mandates to be sought from the Shareholders at the EGM.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares.

As at the Latest Practicable Date, Ms. Zeng owns 100% of the issued shares of Ice Apex Limited, which owns 80% of the issued shares of Fantasy Pearl International Limited (an investment holding company), and Fantasy Pearl International Limited in turn owns approximately 57.41% of the issued Shares. As at the Latest Practicable Date, Ms. Zeng also owns 100% of the issued shares of Baocollection Limited (an investment holding company), which is not interested in any Shares. Ms. Zeng is a non-executive Director, the controlling shareholder and a connected person of the Company. As at the Latest Practicable Date, Ms. Zeng is interested in the Existing Notes in the aggregate outstanding principal amount of USD23,300,000 (equivalent to HK\$181,740,000) (comprising USD6,200,000 (equivalent to HK\$48,360,000) held by Fantasy Pearl International Limited and USD17,100,000 (equivalent to HK\$133,380,000) held by Baocollection Limited) and the Shareholder Loans in the aggregate outstanding principal amount of RMB1,211,949,289 (equivalent to approximately HK\$1,312,945,063).

Mr. Guo is an independent non-executive Director and a connected person of the Company. As at the Latest Practicable Date, Mr. Guo is interested in the Existing Notes in the aggregate outstanding principal amount of USD200,000 (equivalent to HK\$1,560,000) but he is not interested in any Shares.

Accordingly, each of the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares and the Loan Capitalisation constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholder approval requirements under Chapter 14A of the Listing Rules. Ms. Zeng, Ice Apex Limited and Fantasy Pearl International Limited, which hold an aggregate of 3,314,090,500 Existing Shares (representing 57.41% of the Company's issued share capital) as at the Latest Practicable Date, will be required to abstain from voting at the EGM in relation to the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares and the Loan Capitalisation.

For the reasons stated above, Ms. Zeng is interested in the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares and the Loan Capitalisation and Mr. Guo is interested in the issuance of Scheme Creditor Shares, MCB, STN and LTN and accordingly have abstained from voting on the resolutions of the Directors approving the said transactions. Other than Ms. Zeng and Mr. Guo, no Director is materially interested in the said transactions and accordingly no Director is required to abstain from voting on the resolutions of the Directors approving such matters.

Save as disclosed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder is required to abstain from voting at the EGM in relation to the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares and the Loan Capitalisation.

EXISTING NOTES

“**Existing Notes**” means the following publicly traded securities issued by the Company:

- (1) 7.375% senior notes due October 4, 2021 (the “**Existing October 2021 Notes**”) (ISIN: XS1498418224, common code: 149841822). As at the Scheme Record Date, the aggregate principal amount of the Existing October 2021 Notes outstanding was USD205,656,000 (equivalent to HK\$1,604,116,800);
- (2) 6.95% senior notes due December 17, 2021 (the “**Existing First December 2021 Notes**”) (ISIN: XS2275739378, Common Code: 227573937). As at the Scheme Record Date, the aggregate principal amount of the Existing First December 2021 Notes outstanding was USD249,500,000 (equivalent to HK\$1,946,100,000);

- (3) 15.0% senior notes due December 18, 2021 (the “**Existing Second December 2021 Notes**”) (ISIN: XS1924249680, Common Code: 192424968). As at the Scheme Record Date, the aggregate principal amount of the Existing Second December 2021 Notes outstanding was USD299,000,000 (equivalent to HK\$2,332,200,000);
- (4) 14.5% senior notes due March 17, 2022 (the “**Existing March 2022 Notes**”) (ISIN: XS2321397734, common code: 232139773). As at the Scheme Record Date, the aggregate principal amount of the Existing March 2022 Notes outstanding was USD50,000,000 (equivalent to HK\$390,000,000);
- (5) 11.75% senior notes due April 17, 2022 (the “**Existing April 2022 Notes**”) (ISIN: XS1982124239, Common Code: 198212423). As at the Scheme Record Date, the aggregate principal amount of the Existing April 2022 Notes outstanding was USD297,500,000 (equivalent to HK\$2,320,500,000);
- (6) 7.95% senior notes due July 5, 2022 (the “**Existing July 2022 Notes**”) (ISIN: XS1640676885, common code: 164067688). As at the Scheme Record Date, the aggregate principal amount of the Existing July 2022 Notes outstanding was USD498,750,000 (equivalent to HK\$3,890,250,000);
- (7) 12.25% senior notes due October 18, 2022 (the “**Existing October 2022 Notes**”) (ISIN: XS2030329358, Common Code: 203032935). As at the Scheme Record Date, the aggregate principal amount of the Existing October 2022 Notes outstanding was USD350,000,000 (equivalent to HK\$2,730,000,000);
- (8) 10.875% senior notes due January 9, 2023 (the “**Existing January 2023 Notes**”) (ISIN: XS2100005771, Common Code: 210000577). As at the Scheme Record Date, the aggregate principal amount of the Existing January 2023 Notes outstanding was USD446,350,000 (equivalent to HK\$3,481,530,000);
- (9) 11.875% senior notes due June 1, 2023 (the “**Existing June 2023 Notes**”) (ISIN: XS2181037230, Common Code: 218103723). As at the Scheme Record Date, the aggregate principal amount of the Existing June 2023 Notes outstanding was USD542,000,000 (equivalent to HK\$4,227,600,000);
- (10) 9.25% senior notes due July 28, 2023 (the “**Existing July 2023 Notes**”) (ISIN: XS2210790783, Common Code: 221079078). As at the Scheme Record Date, the aggregate principal amount of the Existing July 2023 Notes outstanding was USD343,500,000 (equivalent to HK\$2,679,300,000);

- (11) 9.875% senior notes due October 19, 2023 (the “**Existing October 2023 Notes**”) (ISIN: XS2245488262, Common Code: 224548826). As at the Scheme Record Date, the aggregate principal amount of the Existing October 2023 Notes outstanding was USD304,500,000 (equivalent to HK\$2,375,100,000);
- (12) 10.875% senior notes due March 2, 2024 (the “**Existing March 2024 Notes**”) (ISIN: XS2306557401, Common Code: 230655740). As at the Scheme Record Date, the aggregate principal amount of the Existing March 2024 Notes outstanding was USD231,600,000 (equivalent to HK\$1,806,480,000); and
- (13) 14.5% senior notes due June 25, 2024 (the “**Existing June 2024 Notes**”) (ISIN: XS2355049797, common code: 235504979). As at the Scheme Record Date, the aggregate principal amount of the Existing June 2024 Notes outstanding was USD200,000,000 (equivalent to HK\$1,560,000,000).

EXISTING ADDITIONAL DEBT INSTRUMENTS

“**Existing Additional Debt Instruments**” means the following debt instruments under which the Company was either the primary debtor or obligor (such as guarantor or surety):

| No. | Debt instrument | Margin/Coupon | Maturity date/Due date | Outstanding principal as at Scheme Record Date (USD) |
|-----|--|-------------------------------|-------------------------|--|
| 1. | ISDA Master Agreement dated 14 November 2019 (as amended from time to time) | Funding rate + 1% p.a. | N/A ^{Note} | 9,736,784.00 (equivalent to approximately HK\$75,946,915) |
| 2. | ISDA Master Agreement dated 5 August 2019 (as amended from time to time) | Funding rate + 1% p.a. | N/A ^{Note} | 258,200.00 (equivalent to HK\$2,013,960) |
| 3. | HK\$300,000,000 term loan facility dated 12 November 2019 (as amended, supplemented or extended from time to time, including pursuant to a facility letter dated 18 November 2021) | 1.0% per annum over HKD prime | 27 November 2021 | 33,688,783.72 (equivalent to approximately HK\$262,772,513) |
| 4. | HK\$200,000,000 term loan facility dated 9 June 2021 (as amended, supplemented or extended from time to time) | 1.0% per annum over HKD prime | 30 June 2022 | 25,641,025.64 (equivalent to approximately HK\$200,000,000) |
| 5. | Settlement agreement in respect of the Company’s guarantee obligation dated 3 October 2025 | N/A | 30 June 2028 (extended) | 155,394,720.98 (equivalent to approximately HK\$1,212,078,824) |
| 6. | HK\$5,000,000 immigration bond | 6.0% | 23 April 2023 | 641,025.64 (equivalent to approximately HK\$5,000,000) |

| <u>No.</u> | <u>Debt instrument</u> | <u>Margin/Coupon</u> | <u>Maturity date/Due date</u> | <u>Outstanding principal as at Scheme Record Date (USD)</u> |
|------------|---|---|-------------------------------|--|
| 7. | USD50,000,000 (equivalent to HK\$390,000,000) Series 2020-03 Secured Notes issued pursuant to a supplemental trust deed and having the benefit of a corporate guarantee dated 6 January 2021 from the Company | 7.0% p.a., payable on 9 April 2021, 9 July 2021, 12 October 2021 and 5 January 2022 | 5 January 2022 | 50,000,000.00 (equivalent to HK\$390,000,000) |
| 8. | An exercised put option (dated 6 January 2021) in the amount of USD50,000,000 (equivalent to HK\$390,000,000) | (a) 7.5% p.a. on USD50m (equivalent to HK\$390m) (from 6 January 2021 to 30 March 2021) to be paid on 30 March 2021 (b) 7.0% p.a. on USD50m (equivalent to HK\$390m) (from 30 March 2021 to 30 September 2021) to be paid on 30 June and 30 September 2021 (c) 8.9% p.a. on USD50m (equivalent to HK\$390m) (from 30 September 2021 to 30 December 2021) to be paid on 30 December 2021 | 28 September 2021 | 50,000,000.00 (equivalent to HK\$390,000,000) |
| 9. | An exercised put option (dated 27 October 2020) in the amount of USD45,276,694 (equivalent to approximately HK\$353,158,213) | N/A | 27 October 2021 | 45,276,694.00 (equivalent to approximately HK\$353,158,213) |
| 10. | OCP Loan | N/A | 20 December 2019 | 141,698,814.36 (equivalent to approximately HK\$1,105,250,752) |

| No. | Debt instrument | Margin/Coupon | Maturity date/Due date | Outstanding principal as at Scheme Record Date (USD) |
|-----|---|---|------------------------|---|
| 11. | RMB450,000,000 (equivalent to HK\$486,000,000) credit facility between a bank, Shenzhen Qianhai Huawanli Supply Chain Management Service Co., Ltd (深圳前海花萬里供應鏈管理服務有限公司) as borrower and the Company as guarantor | 1-year LPR + 0.2% | 23 February 2022 | 49,676,809.51 (equivalent to approximately HK\$387,479,114) |
| 12. | Assignment of certain receivables and repurchase agreement between a counterparty, Sichuan Genxing Commerce Company Limited (四川互興商貿有限公司) and the Company having the benefit of, among other things, an agreement dated 8 November 2020 executed by the Company regarding any shortfall | (a) Upfront: 1.25% p.a., payable in 10 working days (b) Interim: 10.25% p.a., payable quarterly | 11 May 2021 | 36,006,915.74 (equivalent to approximately HK\$280,853,943) |
| 13. | An assignment of certain receivables and repurchase agreement between a counterparty, Chengdu Huike Real Estate Development Company Limited (成都匯科房地產開發有限公司) and the Company having the benefit of, among other things, an undated agreement executed by the Company regarding any shortfall | (a) Upfront: 1.25% p.a., payable in 10 working days; (b) Interim: 10.25% p.a., payable quarterly | 4 July 2022 | 38,847,222.22 (equivalent to approximately HK\$303,008,333) |

SHAREHOLDER LOANS

“Shareholder Loans” means the following loans which are owed by the Company or will be novated to the Company on or before the Restructuring Effective Date:

- (1) a loan with outstanding principal amount of RMB70,000,000 (equivalent to approximately HK\$75,833,333) and interest rate of 9% per annum made to Fantasia Group China on 19 July 2021, which was novated on 30 June 2022 with the Company as the borrower and Fantasy Pearl International Limited as the lender and due on 19 January 2022;
- (2) a loan with outstanding principal amount of RMB20,000,000 (equivalent to approximately HK\$21,666,667) and interest rate of 9% per annum made to Fantasia Group China on 30 July 2021, which was novated on 30 June 2022 with the Company as the borrower and Fantasy Pearl International Limited as the lender and due on 30 January 2022;
- (3) a loan with outstanding principal amount of RMB20,000,000 (equivalent to approximately HK\$21,666,667) and interest rate of 9% per annum made to Fantasia Group China on 10 August 2021, which was novated on 30 June 2022 with the Company as the borrower and Fantasy Pearl International Limited as the lender and due on 10 February 2022;

- (4) a loan with outstanding principal amount of RMB483,500,000 (equivalent to approximately HK\$523,791,667) and interest rate of 9% per annum made to Fantasia Group China on 17 June 2021, which was novated on 30 June 2022 with the Company as the borrower and Fantasy Pearl International Limited as the lender and due on 16 August 2021;
- (5) a loan with outstanding principal amount of USD17,000,000 (equivalent to HK\$132,600,000) and interest rate of 9% per annum made by Fantasy Pearl International Limited to Fantasia Investment on 16 July 2021, which was due on 15 January 2022;
- (6) a loan with outstanding principal amount of USD10,000,000 (equivalent to HK\$78,000,000) and interest rate of 9% per annum made by Fantasy Pearl International Limited to Fantasia Investment on 19 July 2021, which was due on 18 January 2022;
- (7) a loan with outstanding principal amount of USD200,000 (equivalent to HK\$1,560,000) and interest rate of 9% per annum made by Fantasy Pearl International Limited to Fantasia Investment on 29 July 2021, which was due on 27 January 2022;
- (8) a loan with outstanding principal amount of HK\$170,000,000 and interest rate of 9% per annum made by Fantasy Pearl International Limited to Fantasia Investment on 28 July 2021, which was due on 27 January 2022; and
- (9) a loan with outstanding principal amount of HK\$287,826,730 and interest rate of 9% per annum made by Fantasy Pearl International Limited to Fantasia Investment on 11 August 2021, which was due on 10 February 2022.

7. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval (by way of ordinary resolution at the EGM) of an increase in the Company's authorised share capital from HK\$800,000,000 divided into 8,000,000,000 Existing Shares to HK\$3,000,000,000 divided into 30,000,000,000 Existing Shares by creating an additional 22,000,000,000 unissued Existing Shares, and for such Shares to rank *pari passu* in all respects.

As the Company's authorised share capital is insufficient to cater for the issuance of Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares, and in order to accommodate subsequent business development and provide the Company with greater flexibility to raise funds in the future, the Board has proposed the Increase in Authorised Share Capital. The Board (other than Ms. Zeng and Mr. Guo who abstained from voting) believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

The Increase in Authorised Share Capital is conditional upon the passing of ordinary resolutions by the Independent Shareholders at the EGM to approve, respectively, the issuance of the Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares.

As described in the section headed “*Listing Rules Implications*” in this letter from the Board, Ms. Zeng is interested in the issuance of the Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares. Given the increase in authorised share capital is conditional upon such Shareholders’ approval of such issuances, Ms. Zeng, Ice Apex Limited and Fantasy Pearl International Limited will accordingly abstain from voting on the Increase in Authorised Share Capital at the EGM. Save as disclosed, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Increase in Authorised Share Capital and no Shareholder is required to abstain from voting on the Increase in Authorised Share Capital at the EGM.

8. PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five (5) issued and unissued Existing Shares of par value of HK\$0.10 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.50 each in the share capital of the Company.

Effect of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$800,000,000 divided into 8,000,000,000 Existing Shares with par value of HK\$0.10 each, of which 5,772,597,864 Existing Shares have been issued and are fully paid or credited as fully paid.

Assuming (i) the Increase in Authorised Share Capital becomes effective; and (ii) there will be no change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Share Consolidation other than the issuance of Scheme Creditor Shares, MCB Conversion Shares (assuming only RED Mandatory Conversion at the initial MCB Conversion Price and no voluntary conversion), Scheme Fee Shares and Capitalisation Shares, immediately after the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$3,000,000,000 divided into 6,000,000,000 Consolidated Shares with par value of HK\$0.50 each, of which 3,623,312,257 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders.

Save for the expenses incurred by the Company in relation to the Share Consolidation, the Board considers that the implementation of the Share Consolidation will not, in itself, have any material adverse effect on the underlying assets, business operations, management or financial position of the Company or the interests of the Shareholders as a whole, except in respect of any fractional Consolidated Shares which will not be allocated to the Shareholders who may otherwise be entitled.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the fulfilment of each of the following conditions:

- (a) occurrence of the Restructuring Effective Date;
- (b) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation;
- (c) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (d) compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be Monday, 3 August 2026.

As at the Latest Practicable Date, none of the conditions above had been fulfilled.

Application for listing of the Consolidated Shares

An application will be made by the Company to the Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective and the Consolidated Shares which may be issued pursuant to the conversion of the MCB.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and HKSCC Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC. Shareholders should seek advice from their licensed securities dealers or professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and will not be allocated to the Shareholders otherwise entitled thereto, but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Odd lot arrangement and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company will appoint Computershare Hong Kong Investor Services Limited, an independent third party, as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Any Shareholder who wishes to use this matching service should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or at telephone number 2862 8555 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Shareholders who would like to match odd lots are recommended to make an appointment in advance by dialling the telephone number of Computershare Hong Kong Investor Services Limited set out above.

Holders of Shares in odd lots should note that the matching services mentioned above are on a best effort basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate number of odd lots of Shares available for matching. Shareholders are advised to consult their professional advisers if they are in doubt about the above arrangements.

Exchange of share certificates for the Consolidated Shares

Subject to the Share Consolidation becoming effective, Shareholders may between 9:00 a.m. and 4:30 p.m. on any Business Day during the period from Monday, 3 August 2026 to Tuesday, 8 September 2026 (both days inclusive), submit share certificates for the Existing Shares (in blue colour) to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares (in green colour). Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may be allowed by the Stock Exchange from time to time) for each share certificate for the Existing Shares cancelled or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher.

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Friday, 4 September 2026, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of five (5) Existing Shares for one (1) Consolidated Share. The new share certificates for the Consolidated Shares will be issued in green colour in order to distinguish them from the share certificates for the Existing Shares which are in blue colour.

9. PROPOSED CHANGE IN BOARD LOT SIZE

The Shares are currently traded on the Stock Exchange in board lot size of 1,500 Existing Shares. Subject to the Share Consolidation becoming effective, the Board also proposes to change the board lot size for trading in the shares on the Stock Exchange from 1,500 Existing Shares to 5,000 Consolidated Shares. The Change in Board Lot Size is not subject to Shareholders' approval.

Based on the closing price of HK\$0.082 per Existing Share (equivalent to the theoretical closing price of HK\$0.41 per Consolidated Share upon the Share Consolidation becoming effective) as quoted on the Stock Exchange as at the Latest Practicable Date, the value per board lot of 1,500 Existing Shares is HK\$123 and the estimated value per board lot of 5,000 Consolidated Shares would be HK\$2,050.

The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders.

Reasons for the Share Consolidation and the Change in Board Lot Size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. Further, the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 (as updated on 1 October 2020) stipulates that (i) market price of the shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

For a majority of trading days in the past 15 months, the Existing Shares have been trading at or below HK\$0.10. During the same period, the value of each existing board lot (based on closing price) has been less than HK\$150 for a majority of trading days. Having considered the prevailing range of closing price of the Shares over the said period, and with a view to complying with the trading requirements under the Listing Rules after completion of the transactions in relation to the Proposed Debt Restructuring, the Board resolved to propose the Share Consolidation and the Change in Board Lot Size.

The Board considers the proposed Share Consolidation and the Change in Board Lot Size would enable the share price of the Company and the board lot value to comply with the trading requirements under the Listing Rules. The proposed Share Consolidation would bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. In determining the Share Consolidation ratio, the Board considered, among other things, alternative consolidation ratios (both higher and lower ratios) and proposed a five to one ratio after having taking into account (i) the prevailing trading price of the Shares; (ii) the expected share price movement following issuances of Scheme Creditor Shares, MCB Conversion Shares, Scheme Fee Shares and Capitalisation Shares on the Restructuring Effective Date; (iii) the par value of each Consolidated Share and implications on future equity issuances (if any); (iv) the current size of a Board lot (being 1,500 Existing Shares, which is a multiple of five); (v) the value of a Board lot of Consolidated Shares immediately after the Share Consolidation and Change in Board Lot Size; (vi) the overall impact of the Share Consolidation and the Change in Board Lot Size on the trading liquidity of the Shares; and (vii) procurement of odd lot arrangement and matching services to mitigate the impact of the Share Consolidation and Change in Board Lot Size on the Shareholders. Further, the Share Consolidation and Change in Board Lot Size would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge minimum transaction costs for each securities trade.

In view of the above reasons, the Board considers that the Share Consolidation and the Change in Board Lot Size are justifiable notwithstanding the potential costs and impact arising from the creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation and the Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

The Board believes the Share Consolidation and the Change in Board Lot Size will not have any material adverse effect on the financial position of the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Share Consolidation and no Shareholder is required to abstain from voting on the Share Consolidation at the EGM.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not conducted or announced any fund raising exercises in connection with any issue of equity securities during the 12 months immediately preceding the Latest Practicable Date.

Other than (i) issuance of Scheme Creditor Shares, Scheme Fee Shares and Capitalisation Shares, MCB, STN and LTN in connection with the Proposed Debt Restructuring and the Loan Capitalisation and (ii) the New Shareholder Loan, the Company does not have any concrete plan to conduct any fundraising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises whether in connection with any onshore liability management exercise or otherwise when suitable fundraising and/or investment opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

INFORMATION ON THE GROUP

The Company is an investment holding company.

The Group is principally engaged in the development and investment of residential and commercial properties, property management, and commercial property operations in the PRC.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the connected transactions in relation to the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares and the Loan Capitalisation.

The Board has appointed Opus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A letter from Opus Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 73 to 146 of this circular.

EGM AND PROXY ARRANGEMENT

A notice of the EGM is set out on pages EGM-1 to EGM-5 of this circular. Pursuant to the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll.

A form of proxy for the EGM is enclosed herewith. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person should you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 70 to 71 of this circular and (ii) the letter from Opus Capital Limited as set out on 73 to 146 of this circular.

Having taken into account the aforementioned reasons and benefits, the Board consider the terms of the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares, Loan Capitalisation (including the relevant issue/conversion prices), the Increase in Authorised Share Capital and the Share Consolidation to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares, the Loan Capitalisation, the Increase in Authorised Share Capital and the Share Consolidation, as detailed in the EGM notice.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendix to this circular.

Shareholders and potential investors of the Company should note that the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares and the Loan Capitalisation are subject to the satisfaction of certain conditions. Accordingly, the issuance of Scheme Creditor Shares, MCB, STN, LTN and Scheme Fee Shares and the Loan Capitalisation may or may not proceed. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company. When in doubt, shareholders and other investors are advised to seek professional advice from their own professional or financial advisers.

By order of the Board
Fantasia Holdings Group Co., Limited

Mr. Lin Zhifeng

Executive Director

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name 'Lin Zhifeng'.