
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Uptown Group Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**(1) PROPOSED SHARE CONSOLIDATION;
(2) SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON
UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

MESSIS  **大有融資**

Capitalised terms used on this cover page shall have the same meanings as those set out in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 9 to 24 of this circular. A letter from the Independent Board Committee is set out on page I-1 to I-2 of this circular. A letter from Messis Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages II-1 to II-19 of this circular.

A notice convening the EGM to be held at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 16th October 2020 at 10:30 a.m., is set out on pages IV-1 to IV-3 of this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to read the notice and to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page 1 of this circular for the measures to be implemented at the EGM by the Company against the epidemic to protect the attendees from the risk of infection of the Novel Coronavirus (“COVID-19”), including:

- **compulsory body temperature check**
- **compulsory wearing of surgical face mask**
- **No serving of refreshments**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company wishes to advise Shareholders that you may appoint the Chairman of the meeting as your proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE EGM	1
DEFINITIONS	2
EXPECTED TIMETABLE	7
LETTER FROM THE BOARD	9
APPENDIX I – LETTER FROM THE INDEPENDENT BOARD COMMITTEE ..	I-1
APPENDIX II – LETTER FROM MESSIS CAPITAL	II-1
APPENDIX III – GENERAL INFORMATION	III-1
APPENDIX IV – NOTICE OF EGM	IV-1

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread (as per guidelines issued by the Hong Kong government at <https://www.chp.gov.hk/en/features/102742.html>), the Company will implement necessary preventive measures at the EGM to protect attending Shareholders, proxy and other attendees from the risk of infection, including:

- (i) Compulsory body temperature check will be conducted on every Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) Attendees are required to prepare his/her own surgical face masks and wear the same inside the EGM venue at all times.
- (iii) No refreshments will be served.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all attendees' health and safety, the Company wishes to advise all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions duly completed, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The proxy form, which can also be downloaded from the Company's website (www.chinauptown.com.hk), is enclosed to this circular. If you are not a registered Shareholder (i.e., if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

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

“Announcement”	the announcement published by the Company dated 2 September 2020
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted or extreme condition is announced in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as amended from time to time
“Company”	China Uptown Group Company Limited (中國上城集團有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2330)
“Conditions”	the conditions precedent of the Subscription Agreement as set out in the section headed “Conditions Precedent” in this circular
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$1 each in the share capital of the Company upon the Share Consolidation becoming effective

DEFINITIONS

“Deposit”	a sum not less than HK\$10,000,000 to be payable by the Subscriber to the Company as deposit for the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and if thought fit, approving the Share Consolidation and the Subscription (including the Specific Mandate)
“Existing Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Share Consolidation becoming effective, or in the event the Share Consolidation does not become effective
“Existing Share Certificate”	existing share certificate(s) in the colour of red for the Existing Share(s)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company together with its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$” or “Hong Kong dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee established by the Board comprising all the independent non-executive Directors, for the purpose of making recommendation to the Independent Shareholders regarding the terms of the Subscription (including the Specific Mandate)
“Independent Financial Advisor” or “Messis Capital”	Messis Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s), other than the Subscriber and their associate(s), who are not involved in or interested in the Subscription
“Last Trading Day”	1 September 2020, being the last trading day for the Shares on the Stock Exchange immediately prior to the date of the Announcement
“Latest Practicable Date”	21 September 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Dong (劉東) a businessman and resident of the PRC, who is engaged in various investments in the PRC property market/development business including trading of building and construction materials and private equity
“New Share Certificate(s)”	new share certificate(s) in the colour of blue of the Consolidated Shares
“PRC”	the People’s Republic of China, and for the sole purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Registrar”	Union Registrars Limited, Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, the Hong Kong branch share registrar of the Company as at the Latest Practicable Date
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Shareholder(s)”	holder(s) of the issued Share(s)

DEFINITIONS

“Share Consolidation”	the proposed consolidation of every ten (10) Existing Shares of HK\$0.10 each in the issued and unissued share capital of the Company into one (1) Consolidated Share of HK\$1 in the issued and unissued share capital of the Company
“Share Options”	share options to subscribe Shares granted by the Company under the Share Option Schemes
“Share Option Scheme”	the share option scheme of the Company adopted on 29 May 2019
“Specific Mandate”	the specific mandate to allot, issue and deal with the Subscription Shares to be proposed for approval as an ordinary resolution of the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ming Hung Fung Company Limited (銘鴻豐有限公司), a company incorporated in Hong Kong with limited liability
“Subscription”	the proposed subscription of the Subscription Shares under the Specific Mandate pursuant to the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the Subscription agreement dated 2 September 2020 entered into between the Company and the Subscriber regarding the Subscription of the Subscription Shares by the Subscriber
“Subscription Completion”	the completion of the Subscription, which shall be taken place on any Business Day within five (5) Business Days after the day on which the last of the Conditions in respect of the Subscription Agreement is satisfied or such other date as agreed by the Company and the Subscriber in writing
“Subscription Long Stop Date”	the long stop date for the fulfilment of the Conditions which shall be on or before 31 December 2020 or such later time or date as may be agreed between the Subscriber and the Company in writing

DEFINITIONS

“Subscription Price”	(i) in the event that the Share Consolidation does not become effective, the subscription price of HK\$0.10 per Existing Share; or (ii) in the event that the Share Consolidation becomes effective prior to the Subscription Completion, the subscription price of HK\$1 per Consolidated Share
“Subscription Share(s)”	(i) in the event that the Share Consolidation does not become effective, 720,000,000 Existing Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement at the Subscription Price each; or (ii) in the event that the Share Consolidation becomes effective, 72,000,000 Consolidated Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement at the Subscription Price each
“Subsidiary”	Maoming Shang Cheng Real Estate Company Limited* (茂名上誠置業有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company that is primarily engaged in, among other things, real estate development and sales, and property leasing
“%”	per cent.

For the purposes of illustration only, any amount denominated in RMB in this circular was converted into HK\$ at the rate of HK\$1 = RMB0.9. Such conversion should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation is set out below. The expected timetable is subject to the results of the EGM and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Events	Date (Hong Kong time) 2020
Despatch of EGM Circular with notice and form of proxy of the EGM	Wednesday, 23 September
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM	4:00 p.m. on Monday, 12 October
Closure of register of members for determining the entitlement to attend and vote at the EGM	from Tuesday, 13 October to Friday, 16 October (both days inclusive)
Latest date and time for lodging forms of proxy for the EGM	10:30 a.m. on Wednesday, 14 October
Expected date and time of the EGM	10:30 a.m. on Friday, 16 October
Publication of the announcement of poll results of the EGM	Friday, 16 October
<i>The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation</i>	
Effective date of the Share Consolidation	Tuesday, 20 October
First date and time for free exchange of Existing Share Certificates for New Share Certificates	9:00 a.m. on Tuesday, 20 October
Dealings in the Consolidated Shares commences	9:00 a.m. on Tuesday, 20 October

EXPECTED TIMETABLE

Events	Date (Hong Kong time) 2020
Original counter for trading in the Existing Shares in board lots of 4,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 20 October
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of Existing Share Certificates) opens	9:00 a.m. on Tuesday, 20 October
Original counter for trading in board lots of 4,000 Consolidated Shares (in the form of New Share Certificates) re-opens	9:00 a.m. on Wednesday, 4 November
Parallel trading in the Consolidated Shares (in the form of New Share Certificates and Existing Share Certificates) commences	9:00 a.m. on Wednesday, 4 November
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Wednesday, 4 November
Temporary counter for trading in board lots of 400 Consolidated Shares (in the form of Existing Share Certificates) closes	4:10 p.m. on Tuesday, 24 November
Parallel trading in the Consolidated Shares (in the form of New Share Certificates and Existing Share Certificates) ends	4:10 p.m. on Tuesday, 24 November
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:10 p.m. on Tuesday, 24 November
Last date and time for free exchange of Existing Share Certificates for New Share Certificates	4:00 p.m. on Thursday, 26 November

LETTER FROM THE BOARD



Executive Directors:

Mr. Liu Feng
Mr. Chen Xian
Mr. Lau Sai Chung
Mr. Liu Zhongxiang

Independent non-executive Directors:

Mr. Poon Lai Yin Michael
Mr. Char Shik Ngor Stephen
Mr. Chen Weijiang

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head Office and Principal Place
of Business:*

Suite 1501, 15/F
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

23 September 2020

To the Shareholders and for information only

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;
(2) SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON
UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING;**

INTRODUCTION

The Company refers to the Announcement dated 2 September 2020 in relation to the Share Consolidation and Subscription. The purpose of this circular is to provide you with, among other things, (i) further information on the Share Consolidation; (ii) the Subscription; (iii) the

LETTER FROM THE BOARD

recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (iv) the letter of advice from Messis Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules. The notice of the EGM is enclosed herein as part of this circular.

(1) SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON UNDER SPECIFIC MANDATE

On 2 September 2020 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price. The material terms of the Subscription Agreement are set out as follows:

Date: 2 September 2020

Parties: (1) the Company; and
(2) the Subscriber

As at the Latest Practicable Date, Mr. Liu, who is the 15% shareholder of the Subsidiary, is the sole director and shareholder of the Subscriber. Therefore, the Subscriber is a connected person of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A.07(1) of the Listing Rules. As advised by the Subscriber, the Subscriber is newly incorporated and has not yet commenced business operations.

Save as disclosed above, there is no other current or prior relationship, negotiation, understanding, agreement or arrangement (verbal or written) between the Company (its connected persons and their respective associates) with any of the Subscriber and Mr. Liu.

As at the Latest Practicable Date, save as the Subscription and the very substantial acquisition disclosed in the Company's circular dated 24 January 2020, the Company has no other business plans with Mr. Liu or the Subscriber. The Company has no intention or plan of changing the Company's existing principal businesses or the composition of the Board after completion of the Subscription.

LETTER FROM THE BOARD

Subscription Shares

Subject to the terms and conditions of the Subscription Agreement, the Company conditionally agrees to issue, and the Subscriber agrees to, subject to fulfilment of the Conditions, subscribe, the Subscription Shares at the Subscription Price each.

As at the Latest Practicable Date, the Subscription Shares consist of 720,000,000 new Existing Shares. The number of Subscription Shares is determined by the Company and the Subscriber after arm's length negotiations and taking into account the funding required by the Group as general expenditure of the Company's operation (general working capital) and property business development in Maoming, as disclosed under "Reasons for the Subscription and the Use of Proceeds". In the event that the Share Consolidation becomes effective prior to the Subscription Completion, the Subscription Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement will be 72,000,000 new Consolidated Shares. Assuming that, save and except for the Share Consolidation, there will be no change in the issued share capital of the Company between the Latest Practicable Date and the date of Subscription Completion, the Subscription Shares represent approximately (i) 39.46% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 28.29% of the issued share capital of the Company as enlarged by the Subscription Shares. The Subscription Shares will be allotted and issued pursuant to the Specific Mandate.

The Subscription Price

The Subscription Price of HK\$0.10 per Subscription Share, in the form of the new Existing Shares represents:

- (i) a premium of approximately 47.1% to the closing price of HK\$0.068 per Existing Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 38.1% to the average of the closing price of HK\$ \$0.0724 per Existing Share quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Date;
- (iii) a discount of approximately 73.6% to the Group's audited net asset value per Existing Share of approximately HK\$0.38 per Existing Share of the Company as at 31 December 2019 (based on the audited consolidated net asset value attributable to Shareholders as at 31 December 2019, being the date to which the latest audited financial results of the Group were made up);
- (iv) a discount of approximately 73.6% to the Group's unaudited net asset value per Existing Share of approximately HK\$0.38 per Existing Share of the Company as at 30 June 2020 (based on the unaudited consolidated net asset value attributable to Shareholders as at 30 June 2020); and

LETTER FROM THE BOARD

- (v) a premium of approximately 47.1% to the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

In the event that the Share Consolidation becomes effective prior to the Subscription Completion, the Subscription Price will become of HK\$1 per Subscription Share, in the form of the new Consolidated Shares. The Subscription Price was negotiated on an arm's length basis between the Company and the Subscriber and was determined with reference to the then prevailing market price of the Shares. The Board noted that the Subscription Price represents a discount of approximately 73.6% to the audited net asset value of approximately HK\$0.38 per Share of the Company as at 31 December 2019. The Board further noted that during the period from 27 May 2020 (about three months prior to the Last Trading Day) up to the Last Trading Day, the closing price of the Existing Shares as quoted on the Stock Exchange have been consistently at a substantial discount to the net asset value per Share, ranging from approximately 76.8% to 85.5%. Further, the Subscription Price is comparatively higher than the prevailing market prices of the Shares as shown above. Accordingly, the Board considers that it would be more appropriate to determine the Subscription Price with reference to the prevailing market prices of the Shares, which reflect the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the net asset value per Share.

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects with Shares in issue at the time of allotment and issue of the Subscription Shares.

Conditions Precedent

The Subscription is conditional upon the following Conditions being fulfilled on or before the Subscription Long Stop Date or such later date as the Parties hereto may agree in writing:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and
- (b) the duly passing by the Shareholders of the resolutions for approving at the EGM,
 - (i) the Subscription Agreement and the transactions contemplated thereunder; and
 - (ii) the grant of Specific Mandate for issuing and allotting the Subscription Shares to the Subscriber.

LETTER FROM THE BOARD

For the avoidance of doubt, none of the above Conditions are waivable. If the Conditions as set out above are not fulfilled on or before the Subscription Long Stop Date or the Subscriber fails to pay the Deposit, the Subscription Agreement shall lapse and neither party shall be bound to proceed with the Subscription and from such date have no effect and no party shall have any liability under them (without prejudice to the rights of any of the parties in respect of claim arising out of any antecedent breach of the Subscription Agreement). The Subscription Long Stop Date is 31 December 2020 which is 4 months after the date of publication of the Announcement. Based on the current tentative timetable and assuming the timetable will not be changed, the earliest date for the convention of the EGM will be on or about 16 October 2020. The Company then anticipates the time for the fulfillment of all the Conditions might be on or around the end of October 2020. However, the Company is concerned that the COVID-19 outbreak might potentially cause additional time to be required for fulfilling the Conditions, therefore, in order to be prudent, the parties to the Subscription Agreement have agreed to set the Subscription Long Stop Date to 31 December 2020. As at the Latest Practicable Date, the Deposit has been received by the Company.

Payment of the Subscription Price

At least seven (7) days prior to the date of the EGM, the Subscriber shall pay the Deposit to the Company as deposit either in Hong Kong dollars, Renminbi, or by both currency in the manner as requested by the Company, which shall contribute as partial payment of the Subscription Price for all of the Subscription Shares upon Completion. As at the Latest Practicable Date, the Deposit has been received by the Company. In the event that the Subscription does not proceed, the Deposit will be refundable to the Subscriber within fourteen (14) days without interests. Upon the Deposit being fully refunded to the Subscriber, no party shall have any liability under the Subscription Agreement thereafter.

At least one (1) Business Day prior to the Completion, the Subscriber shall pay the total Subscription Price less the Deposit (the “**Remaining Subscription Price**”) for all of the Subscription Shares to the Company either in Hong Kong dollars, Renminbi, or by both currency in the manner as requested by the Company.

For avoidance of doubt, if the Deposit and/or the Remaining Subscription Price will be paid fully or partially to the Company by Renminbi, the relevant exchange rate shall be the then prevailing daily exchange rate (central parity rate) published by the People’s Bank of China on the date of payment.

Specific Mandate to Issue Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

Application for listing

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

Reasons for the Subscription and the Use of Proceeds

The Company is an investment holding company. The principal activities of the Group are engaged in (i) property development and investment; and (ii) trading of raw sugar.

The net proceeds from the issue of the Subscription Shares, after the deduction of the relevant expenses, will be approximately HK\$71,400,000, representing a net issue price of approximately HK\$0.10 per Subscription Share or HK\$1 in the event that the Share Consolidation becomes effective prior to the Subscription Completion. The Group intends to apply the net proceeds from the issue of the Subscription Shares as follows:

Payment of property project development and construction fee*	HK\$54,400,000 approximately
General working capitals	HK\$17,000,000 <u>approximately</u>
Total	HK\$71,400,000 <u><u>approximately</u></u>

* *Payment are for the development and construction fee for property project related to the newly acquired land use rights in Maoming, the PRC. Further details are stated in the circular of the Company dated 24 January 2020 and the announcements dated 28 November 2019, 20 January 2020, 23 January 2020 and 14 May 2020.*

The Board has considered other fund-raising alternatives before resolving to the Subscription, including but not limited to bank borrowings and issue of new shares by other means. However, in comparison to the Subscription, bank borrowings would result in additional interest burden and higher gearing ratio of the Group. The Group had approached banks in both the PRC and Hong Kong who were either unable to offer the requested facilities, or had offered high interest rates of around 10%-12%. In relation to the issue of new shares by other means such as rights issue or placing, the Group has discussed with several underwriters and is advised that either it would be difficult for them to place the shares of the Company in the current market conditions or they will charge a high commission of approximately 10% of the total proceeds, which would incur significant costs for the Group. In view of the above, although there will be dilution in the interests of the existing Shareholders after completion of the Subscription, the Board still considers raising funds by way of the Subscription to be more cost effective, efficient and beneficial to the Company and the Shareholders as a whole as compared to raising funds by any other means.

LETTER FROM THE BOARD

The Subscriber has operated and invested in various businesses in the PRC which include property construction projects, sales and trading of building materials with major PRC constructors and other private equity investments since 2012. As advised by the Subscriber, these experiences raised his interests in further investments in the PRC property development business. As advised by the Subscriber and Mr. Liu Feng, chairman of the Board, they became acquainted through business gatherings, where the Subscriber learned more about the Group's business, specifically in relation to property development in tier two and tier three cities in Guangdong. The Subscriber became increasingly interested in exploring joint investment opportunities with the Group. As such, the Board invited the Subscriber and another independent third party to form a company, namely Maoming Shang Cheng Real Estate Company Limited* (茂名上誠置業有限公司), where the Subscriber held 15% equity interest, in order to acquire certain land use rights in Maoming (the "**Land Acquisition**"). For further details, please refer to the Company's circular dated 24 January 2020. As disclosed in the Company's interim results announcement dated 28 August 2020 for the six months ended 30 June 2020, the Company's amounts due to non-controlling interests is RMB73,700,000, out of which approximately RMB33,000,000 represents the Subscriber's contribution to the consideration for the Land Acquisition in proportion to his 15% shareholding in the Subsidiary in the form of shareholder's loan which is non-interest bearing and unsecured.

As the Group's major assets are property projects in Maoming and the subscriber has an optimistic view in the potential of the Maoming property market, the Subscriber further approached the Group for share investments, which led to subsequent discussion and agreement on the Subscription. Aside from the Subscriber, the Board had also approached (i) the existing substantial shareholder of the Company, namely China Sugar Holdings Limited; and (ii) a minority shareholder of the Subsidiary, however neither had imminent plan to subscribe for the Company's Shares.

The Directors (including the independent non-executive Directors) consider that the issue of Subscription Shares can provide the Company with access to additional funds to enhance its working capital and strengthen its capital base and financial position for the future development. The terms of the Subscription Agreement (including the Subscription Price) were arrived at after arm's length negotiations between the Company and the Subscriber, taking into account the market price of the Existing Shares. The Directors (including the independent non-executive Directors) are of the view that the Subscription Agreement (including the Subscription Price) are entered into upon normal commercial terms and, based on the prevailing market conditions, that the Subscription Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Fund raising activities in the past twelve months prior to the Latest Practicable Date

The Company has not conducted any equity fund raising exercises in the past twelve months immediately prior to the Latest Practicable Date.

LETTER FROM THE BOARD

Effects on Shareholding Structure of The Company

As at the Latest Practicable Date, the Company has 1,824,690,520 Existing Shares in issue. Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective and prior to the allotment and issue of the Subscription Shares; (iii) immediately after the allotment and issue of the Subscription Shares, assuming Share Consolidation is effective; and (iv) immediately after the allotment and issue of the Subscription Shares, assuming Share Consolidation is not effective:

	As at the Latest Practicable Date		Immediately after Share Consolidation becoming effective but prior to the allotment and issue of the Subscription Shares		Immediately after the allotment and issue of the Subscription Shares, assuming Share Consolidation is effective		Immediately after the allotment and issue of the Subscription Shares, assuming Share Consolidation is not effective	
			No. of Existing Shares		No. of Consolidated Shares		No. of Consolidated Shares	
	Shares	%	Shares	%	Shares	%	Shares	%
China Sugar Holdings Limited (<i>Note 1</i>)	242,105,262	13.27	24,210,526	13.27	24,210,526	9.51	242,105,262	9.51
Chen Qiang	149,500,000	8.19	14,950,000	8.19	14,950,000	5.88	149,500,000	5.88
Subscriber	-	-	-	-	72,000,000	28.29	720,000,000	28.29
Other public Shareholders	<u>1,433,085,258</u>	<u>78.54</u>	<u>143,308,526</u>	<u>78.54</u>	<u>143,308,526</u>	<u>56.32</u>	<u>1,433,085,258</u>	<u>56.32</u>
Total:	<u>1,824,690,520</u>	<u>100</u>	<u>182,469,052</u>	<u>100</u>	<u>254,469,052</u>	<u>100</u>	<u>2,544,690,520</u>	<u>100</u>

Note:

- These shares of the Company are held by China Sugar Holdings Limited which is 100% owned by Mr. Liu Zhongxiang, an Executive Director of the Company. By virtue of the SFO, Mr. Liu Zhongxiang is deemed to be interested in the shares of the Company held by China Sugar Holdings Limited.

Listing Rules Implications

As Mr. Liu, who is the 15% shareholder of the Subsidiary, is the sole director and shareholder of the Subscriber, the Subscriber is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As such, the Subscription constitutes a connected transaction of the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the Subscription. As such, no Shareholder will abstain from voting on the relevant resolution(s) to be proposed at the EGM. No Director is regarded as having a material interest in the Subscription and/or the Share Consolidation, therefore no director was required to abstain from voting for the relevant Board resolutions.

The Independent Board Committee, which comprises all independent non-executive Directors, has been established to advise the Shareholders (i) as to whether the terms of the Subscription (including the Specific Mandate and the transactions contemplated thereunder) are fair and reasonable; (ii) how to vote on the resolutions at the EGM in relation to the Subscription (including the Specific Mandate and the transactions contemplated thereunder); and (iii) whether the Subscription (including the Specific Mandate and the transactions contemplated thereunder) are in the interests of the Company and the Shareholders as a whole.

Messis Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription.

(2) PROPOSED SHARE CONSOLIDATION

The Board proposes that every ten (10) Existing Shares of HK\$0.10 each in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of HK\$1 each in the issued and unissued share capital of the Company. As at the Latest Practicable Date, there were 1,824,690,520 Existing Shares of HK\$0.10 each in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued or repurchased from the Latest Practicable Date up to the date of the EGM, there will be 182,469,052 Consolidated Shares of HK\$1 each in issue which are fully paid or credited as fully paid immediately following the Share Consolidation. The authorised share capital of the Company will become HK\$300,000,000 divided into 300,000,000 Consolidated Shares of HK\$1 each.

It is proposed that following the Share Consolidation, the Consolidated Shares will continue to be traded in board lots of 4,000 Consolidated Shares. Based on the closing price of HK\$0.068 per Share on the Last Trading Day, the value of each board lot of the Consolidated Shares, upon the Share Consolidation becoming effective, would be HK\$2,720.

Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon:

- (i) the passing of the necessary ordinary resolution(s) by the Shareholders at the EGM to approve the Share Consolidation;

LETTER FROM THE BOARD

- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under Cayman Islands law (where applicable) and the Listing Rules to effect the Share Consolidation.

Effect of the Share Consolidation

As at the Latest Practicable Date; the authorised share capital of the Company is HK\$300,000,000 divided into 3,000,000,000 Existing Shares of HK\$0.10 each, of which 1,824,690,520 Existing Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Existing Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become HK\$300,000,000 divided into 300,000,000 Consolidated Shares of HK\$1 each, of which 182,469,052 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the 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 on the Stock Exchange or such other date as 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS. The Share Consolidation will be conducted in accordance with the provisions in the articles of association of the Company.

LETTER FROM THE BOARD

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time of 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.

Reasons for the Share Consolidation

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. In this regard, the Share Consolidation would enable the Company to comply with the trading requirements of the Listing Rules.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated on 28 June 2019, the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the date of the Announcement, the closing price of each Share was HK\$0.068, with a board lot size of 4,000 Shares, the Company is trading under HK\$2,000 per board lot. For the purpose of reducing transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes the Share Consolidation.

The proposed Share Consolidation will increase the par value of the Existing Shares and decrease the total number of Existing Shares currently in issue. It is expected that the Share Consolidation would bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange. Furthermore, as the theoretical market value of each board lot of the Consolidated Shares upon the Share Consolidation becoming effective will be higher than the market value of each board lot of the Existing Shares, the transaction cost as a proportion of the market value of each board lot will be lower. It is also expected that the liquidity in trading of the Existing Shares will increase accordingly.

As at the Latest Practicable Date;, save and except the Subscription, the Company has no intention to conduct any fundraising activities in the next 12 months. As such, the Board considers that the basis of the Share Consolidation is reasonable and sufficient. Further, as at the Latest Practicable Date, having considered its current plans in relation to all corporate actions for the next 12 months, the Company expresses no intention to carry out any corporate actions in the next 12 months, including share consolidation, share subdivision and change in board lot size, which would offset the effect of the Share Consolidation. As such, the Board is of the view that the Share Consolidation is beneficial to the Company, the Shareholders and investors of the Company as a whole.

LETTER FROM THE BOARD

Shareholders and potential investors should be aware of and take note that the Share Consolidation is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Share Consolidation” above, and therefore may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Other Arrangements

Adjustments in relation to the other securities of the Company

Share Options

As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 64,000,000 Existing Shares. Under the terms and conditions of the Share Option Schemes, the Share Consolidation may lead to adjustments to the number of shares of the Company available for issue under the scheme limit, which has not yet been utilised, of the Share Option Schemes, and/or the exercise price and/or the number of shares of the Company falling to be issued upon the exercise of the Share Options. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

Save as disclosed above, the Company does not have any other outstanding derivatives, options, warrants, conversion rights, securities in issue, convertible securities or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as at the Latest Practicable Date;.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation the Company will appoint Celestial Securities Limited, a securities firm, as an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

The matching period shall commence at 9:00 a.m. on Wednesday, 4 November 2020 and end at 4:10 p.m. on Tuesday, 24 November 2020. Shareholders who wish to take advantage of this facility should contact Ms. Amy Ng (contact number: 2587 5264) of Celestial Securities Limited at 22/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong.

LETTER FROM THE BOARD

Fractional entitlement to Consolidated Shares

No fractional Consolidated Shares will be issued by the Company to the Shareholders. Any fractional entitlements of Consolidated Shares arising from the Share Consolidation will be aggregated, if possible, sold and retained 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.

Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the branch share registrar of the Company in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares.

Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.5 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Consolidated Shares will be issued in blue colour in order to distinguish them from the existing share certificates in red colour.

Subject to the Share Consolidation having become effective, after 4:10 p.m. on Tuesday, 24 November 2020, trading will only be in Consolidated Shares. Existing Share Certificates will then only remain effective as good evidence of legal title and may be exchanged for New Share Certificates at any time, at stated above, but will cease to be valid for delivery, trading and settlement purposes.

LETTER FROM THE BOARD

(3) EGM

An EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the Share Consolidation; and (ii) the Subscription Agreement and the transactions contemplated thereunder. The EGM will be held at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 16th October 2020 at 10:30 a.m.. The notice of the EGM is set out on pages IV-1 to IV-3 of this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to read the notice and to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office, Union Registrars Limited, Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

The votes of the Independent Shareholders at the EGM will be taken by poll in accordance with Rule 13.39(4) of the Listing Rules and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, no Shareholder has a material interest in the Subscription and/or the Share Consolidation. As such, no Shareholder will abstain from voting on the relevant resolution(s) to be proposed at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM.

As Completion of each of the Subscription is subject to the satisfaction of the condition precedent as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 13 October 2020 to Friday, 16 October 2020 (both days inclusive), during which period no transfer of Shares will be registered.

In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office at Union Registrars Limited, Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Monday, 12 October 2020.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page I-1 to I-2 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder; and (ii) the letter from the Messis Capital set on pages II-1 to II-19 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription together with the principal factors and reasons considered by it in concluding its advice.

The Independent Board Committee, having taken into account the advice of Messis Capital, considers that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Subscription is on normal commercial terms and in the interests of the Company and the Shareholders as whole. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are fair and reasonable, and that the Subscription is on normal commercial terms and in the interests of the Company and the Shareholders as whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement, the transactions contemplated thereunder and the issue of the Subscription Shares under the Specific Mandate.

The Directors consider that the Share Consolidation is in the interest of the Company and the Shareholders as a whole and so recommend all Shareholders to vote in favour of the resolution approving the Share Consolidation at the EGM.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices and the notice of EGM, which form part of this circular.

Yours faithfully,
By order of the Board
China Uptown Group Company Limited
Fu Lui
Company Secretary



23 September 2020

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF
NEW SHARES BY THE DIRECTORS UNDER SPECIFIC MANDATE**

We refer to the circular of the Company to the Shareholders dated 23 September 2020 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages II-1 to II-19 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 9 to 24 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the Subscription Agreement and the situation of the Company, and the factors and reasons considered by Messis Capital and its opinion as stated in its letter of advice, we consider that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Subscription is in the ordinary and usual course of business of the Company; and (iii) the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the granting of the Specific Mandate).

Yours faithfully,
Independent Board Committee of
China Uptown Group Company Limited

Mr. Poon Lai Yin Michael
*Independent Non-executive
Director*

Mr. Char Shik Ngor Stephen
*Independent Non-executive
Director*

Mr. Chen Weijiang
*Independent Non-executive
Director*

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Shareholders for inclusion in this circular.



23 September 2020

*To: The Independent Board Committee and the Shareholders
of China Uptown Group Company Limited*

Dear Sir/Madam,

SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSON UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the subscription of new Shares by connected person under Specific Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 23 September 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 2 September 2020.

On 2 September 2020 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price each. The Subscription Shares represent approximately (i) 39.46% of the issued share capital of the Company as at the date of this announcement; and (ii) 28.29% of the issued share capital of the Company as enlarged by the Subscription Shares. The Subscription Shares will be allotted and issued pursuant to the Specific Mandate.

The Subscription Shares will be issued under the Specific Mandate, which is subject to the Shareholders’ approval at the EGM. As Mr. Liu is interested in 15% of the equity interest in the Subsidiary, and is also the sole director and shareholder of the Subscriber, the Subscriber is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As such, the Subscription constitutes a connected transaction of the Company under the Listing Rules.

The Independent Board Committee, which comprises all independent non-executive Directors, has been established to advise the Shareholders (i) as to whether the terms of the Subscription (including the Specific Mandate and the transactions contemplated thereunder) are fair and reasonable; (ii) how to vote on the resolutions at the EGM in relation to the Subscription (including the Specific Mandate and the transactions contemplated thereunder); and (iii) whether the Subscription (including the Specific Mandate and the transactions contemplated thereunder) are in the interests of the Company and the Shareholders as a whole, after taking into account the recommendations of the Independent Financial Adviser.

We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders as to whether the Subscription (including the Specific Mandate and the transactions contemplated thereunder), are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the financial advisor nor the independent financial adviser to the Company and the independent board committee of the Company. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Subscription and the transactions contemplated thereunder are fair and reasonable in so far as the Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background of and reasons for the Subscription

A. Business and financial overview of the Group

The Group is principally engaged in (i) property development and investment; and (ii) trading of raw cane sugar. Set out below are the financial results of the Group extracted from the annual report of the Company for the year ended 31 December 2019 (“**Annual Report 2019**”):

Consolidated income statement of the Group

	For the year ended	
	31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	804,898	90,251
Gross profit	180,342	15,624
Profit (loss) for the year	84,358	(36,020)

Segment information of the Group

	For the year ended	
	31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Property development and investment		
– Revenue	756,487	90,251
– Segment profit (loss)	155,459	(9,043)
Trading of raw cane sugar		
– Revenue	48,411	–
– Segment profit (loss)	947	(2,486)

Revenue increased significantly from approximately RMB90.3 million for the year ended 31 December 2018 (“**FY18**”) to approximately RMB804.9 million for the year ended 31 December 2019 (“**FY19**”), which increased by approximately RMB714.6 million. Revenue from the property development and investment business and the trading of raw cane sugar business increased by approximately RMB666.2 million and RMB48.4 million for FY19 as compared to FY18, respectively. As disclosed in the Annual Report 2019, the Group owns a property development project located in Maoming City (the “**Maoming Project**”), Guangdong Province, the PRC. The Maoming Project has developed into a composite of residential and commercial properties in three phases. The increase in revenue for the property development and investment business was mainly due to the delivery and sales recognition of certain properties of phase 3 of the Maoming Project. Profit for the year for FY19 increased to approximately RMB84.4 million, from loss for the year of approximately RMB36.0 million for FY18. The significant increase in profit for the year was mainly due to the increase in revenue from the property development and investment business and the trading of raw cane sugar business.

Consolidated statement of financial position of the Group

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	104,864	108,013
Current assets	1,078,621	1,427,603
Non-current liabilities	40,983	55,841
Current liabilities	453,925	886,276
Net current assets	624,696	541,327
Net assets	688,577	593,499

Current assets decreased from approximately RMB1,427.6 million as at 31 December 2018 to approximately RMB1,078.6 million as at 31 December 2019, which decreased by approximately RMB349.0 million or 24.4%. The decrease was mainly due to the combined effect of (i) a decrease in properties held for sale of approximately RMB504.9 million; and (ii) an increase in deposits, other receivables and prepayments of approximately RMB108.0 million. As disclosed in the Annual Report 2019, the decrease in properties held for sale was mainly due to the delivery of certain properties of phase 3 of the Maoming Project during FY19. The increase in deposits, other receivables and prepayments was mainly due to the increase in deposits paid for acquisition of land use rights of approximately RMB102.5 million in respect of a land parcel in Maoming City.

Current liabilities decreased from approximately RMB886.3 million as at 31 December 2018 to approximately RMB453.9 million, which decreased by approximately RMB432.4 million or 48.8%. The decrease in current liabilities was mainly due to the decrease in contract liabilities as a result of the fall in receipts in advance for sales of properties.

B. Reasons for the Subscription and the use of proceeds

As stated in the Letter from the Board, the net proceeds from the issue of the Subscription Shares, after the deduction of the relevant expenses, will be approximately HK\$71,400,000, representing a net issue price of approximately HK\$0.10 per Subscription Share or HK\$1 in the event that the Share Consolidation becomes effective prior to the Subscription Completion. Among the net proceeds from the issue of the Subscription Shares, approximately HK\$54,400,000 will be applied to the payment of the development and construction for the property project in relation to the newly acquired land use rights in Maoming City, the PRC, and approximately HK\$17,000,000 towards the general working capital of the Company. The Directors consider that the issue of Subscription Shares can provide the Company with access to additional funds to enhance its working capital and strengthen its capital base and financial position for the future development.

The Group is principally engaged in (i) property development and investment; and (ii) trading of raw cane sugar. The Group's revenue derived from property development and investment amounted to approximately RMB90.3 million and RMB756.5 million, and accounted for approximately 100% and 94% of the Group's total revenue for the years ended 31 December 2018 and 2019, respectively. As disclosed in the Annual Report 2019, the revenue from property development and investment for the years ended 31 December 2018 and 2019 was mainly derived from an existing property development project located in Maoming City, the PRC, which has been developed into a composite of residential and commercial properties in three phases. Reference is made to the Company's announcement dated 28 November 2019 and 14 May 2020 in relation to the acquisition of land use rights in Maoming City. The subject land has a total site area of 29,274.16 sq.m., and is for residential, retail and commercial uses. The acquisition of the said land was completed on 14 May 2020. As property development is capital intensive, we consider that it is fair and reasonable to allocate majority, which accounted for over 75% of the net proceeds towards the development and construction of the newly acquired land. In addition, as the Group already owned a property development project in Maoming, we consider the experience and knowledge of the Group's management in Maoming would aid the development of the newly acquired land, and it is of the Group's normal commercial practice to develop the said land.

As discussed with the Company, apart from the Subscription, the Company had also considered alternative financing methods including debt financing and other equity financing methods such as rights issue. We note from the Annual Report 2019 that, as at 31 December 2019, the Group had unutilised banking facilities of approximately RMB17.9 million and only utilised approximately RMB1.8 million. As discussed with the Company, the unutilised banking facilities as at 31 December 2019 consist of facilities for the Group's sugar trading business and revolving loans, and the revolving loans had been fully utilised subsequent to 31 December 2019. Therefore, the aforesaid banking facilities are not available for the Group's property development business. As advised by the Company, the Group had also verbally negotiated with banks in both the PRC and Hong Kong for additional loans for the property development business. However, the banks in Hong Kong were not able to offer any facility as the Group's revenue generation is mainly situated in the PRC, and some of the banks in the PRC that are willing to offer facilities to the Group had requested an interest rate of around 10%, which will incur significant finance costs to the Company. We note from the Company's annual report for the year ended 31 December 2017 that the Company had bank borrowings with effective interest rate of 10.5%, and as discussed with the Company, such bank borrowings were construction loans obtained in the PRC. We notice that the effective interest rate of the construction loans of 10.5% approximate to the interest rate quotation provided by the PRC banks. Moreover, these PRC banks also requested the Group's land use right and future properties under development in the PRC as collaterals, and repayment of the loan will be required to discharge such pledges before allowing the pre-sales of the new properties to be developed in Maoming City. Such terms offered by the PRC banks would increase the Group's liquidity risks. In addition, the Company had also considered rights issue as alternative fund raising. However, as advised

by the Company, some underwriters advised that it might be difficult to procure subscribers for the Shares and also quoted underwriting commission of approximately 10% of the total proceeds, which is similar to the interest rate offered by the PRC banks. We have reviewed a quotation from an underwriter and noted that the underwriting commission quoted was 10%. Taking into account the alternative funding options for the new property development project available to the Company and the Subscription Price is at a premium to the recent Share price as discussed in the paragraph headed “2. Principal terms of the Subscription” below, we consider that though the shareholding of the Shareholders will be diluted, the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the above, as property development is capital intensive in nature, we concur with the Company’s view that the Subscription can provide the Company with access to additional funds to enhance its working capital and strengthen its capital base and financial position for the future development of its property development business.

2. Principal terms of the Subscription

Summary of principal terms

The key terms of the Subscription are summarised below:

- Date: 2 September 2020
- Parties: (1) The Company; and
(2) The Subscriber

Subject to the terms and conditions of the Subscription Agreement, the Company conditionally agrees to issue, and the Subscriber agrees to, subject to fulfilment of the Conditions, subscribe, the Subscription Shares at the Subscription Price each.

As at the Latest Practicable Date, the Subscription Shares consist of 720,000,000 new Existing Shares. In the event that the Share Consolidation becomes effective prior to the Subscription Completion, the Subscription Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement will be 72,000,000 new Consolidated Shares.

Assuming that, save and except for the Share Consolidation, there will be no change in the issued share capital of the Company between the Latest Practicable Date and the date of Subscription Completion, the Subscription Shares represent approximately (i) 39.46% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 28.29% of the issued share capital of the Company as enlarged by the Subscription Shares. The Subscription Shares will be allotted and issued pursuant to the Specific Mandate.

The Subscription Shares, when issued and fully paid, will rank, upon issue, *pari passu* in all respects with the Shares then in issue on the date of allotment and issue of the Subscription Shares.

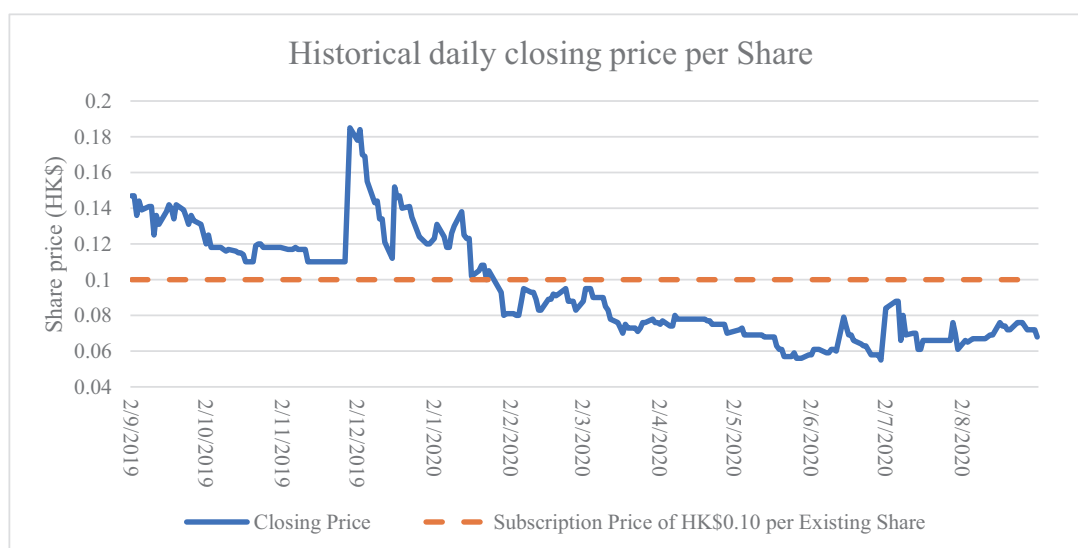
Subscription Price

The Subscription Price of HK\$0.10 per Subscription Share, in the form of the new Existing Shares represents:

- (a) a premium of approximately 47.1% to the closing price of HK\$0.068 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 38.1% to the average closing price of HK\$0.0724 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 43.5% to the average closing price of HK\$0.0697 per Existing Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 73.6% to the Group's audited net asset value per Existing Share of HK\$0.38 per Existing Share (based on the consolidated net asset value of the Company as at 31 December 2019);
- (e) a discount of approximately 73.6% to the Group's unaudited net asset value per Existing Share of HK\$0.38 per Existing Share (based on the unaudited consolidated net asset value of the Company as at 30 June 2020); and
- (f) a premium of approximately 47.1% to the closing price of HK\$0.068 per Existing Share as quoted on the Stock Exchange on Latest Practicable Date;

Comparison with historical closing prices

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 2 September 2019 to the Last Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day, which is commonly used for analysis purpose to illustrate the general trend of the closing prices and the level of movement of the Shares) and compared with the Subscription Price.



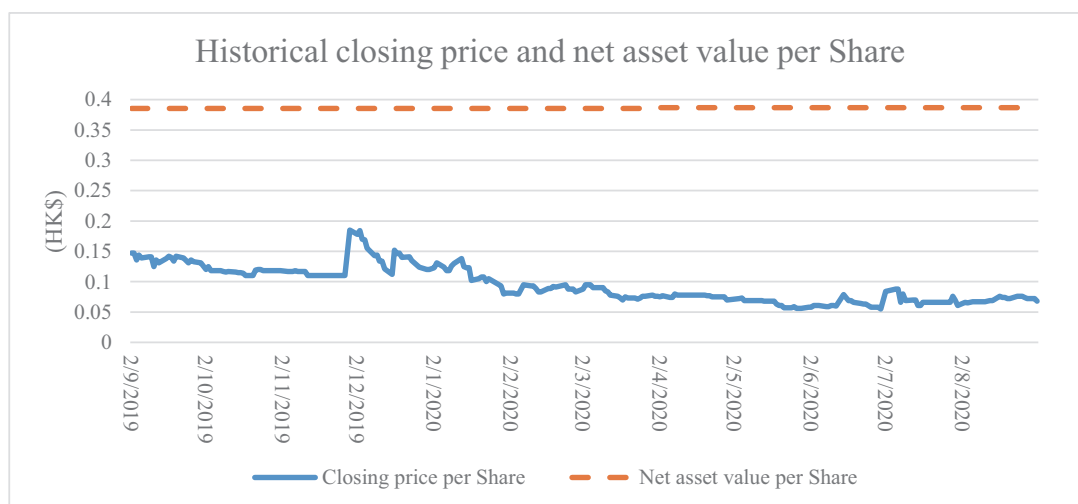
Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

During the Review Period, the lowest closing price per Share was HK\$0.055 recorded on 30 June 2020, while the highest closing price per Share was HK\$0.185 on 29 November 2019. The average daily closing price per Share was approximately HK\$0.095 per Share. We note that the Subscription Price of HK\$0.10 per Share is within the aforementioned range and represents (i) a discount of approximately 45.9% from the highest closing price; (ii) a premium of approximately 81.8% over the lowest closing price; and (iii) a premium of approximately 5.5% from the average daily closing price during the Review Period.

During the Review Period, the closing price of the Shares generally exhibited a downward trend except for the sudden raise of Share price to HK\$0.185 per Share on 29 November 2019. In this regard, we have discussed with the management of the Company regarding the sudden raise of Share price and were advised that, save for the publication of announcement regarding a very substantial acquisition in relation to acquisition of land use rights in Maoming on 28 November 2019, they are not aware of other particular reason that led to the sudden raise of Share price. During the Review Period, the Company also issued several announcements including but not limited to (i) the annual results announcement for FY19 on 31 March 2020; (ii) the announcement regarding the profit warning for the Company's interim results for the six months ended 30 June 2020 on 14 August 2020; and (iii) the interim results announcement for the six months ended 30 June 2020 on 28 August 2020. According to the Directors, they were not aware of any specific events of the Company during the Review Period that led to the decreasing trend of the price of the Shares.

Comparison of historical closing price and net asset value per Share

The graph below shows the historical daily closing prices and net assets value per Share during the Review Period:



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Note: the net asset value per Share is arrived by dividing the equity attributable to owners of the Company based on the latest published financial results of the Company at the relevant time by the total number of Shares at the relevant time.

During the Review Period, the net asset value per Share based on the latest published financial results of the Company at the relevant time were within the range of approximately HK\$0.38 to HK\$0.39 per Share. The lowest closing price per Share was HK\$0.055 recorded on 30 June 2020, while the highest closing price per Share was HK\$0.185 on 29 November 2019. The average daily closing price per Share was approximately HK\$0.095 per Share. As shown in the above graph, the Shares had always been trading at a discount to the net asset value per Share during the Review Period. For illustrative purpose, the historical closing prices represent a discount of a range of approximately 51% to 86% to the lowest net asset value per Share of approximately HK\$0.38 during the Review Period. We consider the Share price during the Review Period reflects the recent valuation of the Company given by the market. Therefore, the Shares being traded at a discount to the net asset value per Share during the Review Period is also a reflection of the market value of the Shares. Moreover, the Subscription Price represents a premium to the closing price per Share for around the half year period immediately before the entering into of the Subscription Agreement. As such, we consider that the Subscription Price, though represents a substantial discount to the net asset value per Existing Share, is fair and reasonable.

Review on the trading liquidity of the Shares

The table below sets out the trading volume of the Shares during the Review Period:

	Total monthly trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of average daily trading volume to total number of Shares in issue
	<i>(Approximate thousand Shares)</i>		<i>(Approximate thousand Shares)</i>	<i>(Note)</i>
2019				
September (from 2 September 2019)	3,796	21	181	0.010%
October	4,524	21	215	0.012%
November	107,360	20	5,368	0.294%
December	91,952	20	4,598	0.252%

	Total monthly trading volume of the Shares <i>(Approximate thousand Shares)</i>	Number of trading days	Average daily trading volume of the Shares <i>(Approximate thousand Shares)</i>	Percentage of average daily trading volume to total number of Shares in issue <i>(Note)</i>
2020				
January	13,920	20	696	0.038%
February	4,408	20	220	0.012%
March	3,732	22	170	0.009%
April	444	19	23	0.001%
May	2,064	20	103	0.006%
June	7,424	21	354	0.019%
July	18,836	22	856	0.047%
August	8,916	21	425	0.023%
September (up to and including the Last Trading Day)	<u>16</u>	1	<u>16</u>	<u>0.001%</u>
Average for Review Period	<u><u>20,569</u></u>		<u><u>1,078</u></u>	<u><u>0.059%</u></u>

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Note: The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company as at the Last Trading Day (i.e. 1,824,690,520 Shares).

From the table above, the average number of Shares traded per trading day in each month during the Review Period as a percentage of the total number of issued Shares ranged from approximately 0.001% to approximately 0.294%, with an average of approximately 0.059%. On this basis, we consider the average daily trading volume of the Shares was relatively thin during the Review Period.

Comparable analysis

We have conducted, to the best of our endeavour, a research of all issue of new shares to connected persons under specific mandate announced by companies listed on the Stock Exchange from 2 March 2020 up to the Last Trading Day, being around six-month period prior to the Last Trading Day (the “**Comparable Issues**”). Our research is based on the following criteria: (i) the share subscription constituted a connected transaction; (ii) the purpose of the subject share issuance was not for partial/full settlement of a consideration for a transaction and/or loan capitalisation; (iii) the subscription shares were issued under specific mandate; and (iv) the share issuance are not by listed companies with multiple classes of shares, whose share and capital structure may be different from that of the Company (which only has a single class of shares in trading), as the capital structure of such listed companies comprised of more than one class of shares in trading and the trading price of each class of shares, where applicable, may be materially different from each other from time to time and may affect the trading price of the other class of shares. To the best of our knowledge and as far as we are aware of, we have identified 7 transactions which met the abovementioned criteria and had not lapsed as at the Latest Practicable Date.

Although the Comparable Issues may be different from the Group in terms of scale, business nature, financial position and funding requirements, after having considered (i) all of the issuers among the Comparable Issues and the Company are listed on the Stock Exchange; (ii) the terms of the Comparable Issues were determined under similar market conditions and sentiment; and (iii) including transactions conducted by issuers with different scales in the Comparable Issues can reflect a more comprehensive overall market sentiment in our comparable analysis, we consider that the Comparable Issues can provide a fair and representative sample to be taken as a general reference of the prevailing market practices on the key terms for this type of transaction in Hong Kong. Therefore, we consider that the Comparable Issues are indicative in assessing the fairness and reasonableness of the Subscription Price. The following table sets forth the relevant details of the Comparable Issues:

Date of initial announcement	Company name	Stock code	Premium/(discount) of subscription price over/to the			number of new shares to the existing number of shares in issue	premium/discount of the issue price of new shares to the net asset value per share (note 1)
			closing price as at the last trading day prior to or on the date of the announcement/agreement	last five (5) consecutive trading days prior to or on the date of the announcement/agreement	last thirty (30) consecutive trading days prior to or on the date of the announcement/agreement		
24 July 2020	Hao Tian Development Group Limited	474	(13.8)	(15.3)	16.8	6.6	(37.3) (note 2)
13 July 2020	51 Credit Card Inc.	2051	(24.1)	(1.6)	20.0	14.0	(74.9)
6 July 2020	China Jinmao Holdings Group Limited	817	(6.6)	(0.6)	2.0	5.1	53.6
28 April 2020	IR Resources Limited	8186	(39.1)	(41.7)	(49.2)	40.6	18.6
23 April 2020	Binhai Investment Company Limited	2886	0.0	5.6	9.5	15.1	Not disclosed
3 April 2020	Gemini Investments (Holdings) Limited	174	81.8	98.0	89.5	20.0	(85.4) (note 3)
2 April 2020	Sinopharm Tech Holdings Limited	8156	(12.3)	(15.3)	(25.3)	19.5	Not disclosed
		Maximum	81.8	98.0	89.5	40.6	53.6
		Minimum	(39.1)	(41.7)	(49.2)	5.1	(85.4)
		Average	(2.0)	4.2	9.1	17.3	(25.1)
		The Company	47.1	38.1	43.5	39.46	(73.6)

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

Notes:

- As extracted from the relevant announcements/circulars of the Comparable Issues.
- The equity attributable to owners of Hao Tian Development Group Limited was adjusted by the net proceeds from its placing completed on 14 August 2020.
- The discount of 85.4% was arrived after adjusting the equity attributable to owners of Gemini Investments (Holdings) Limited by excluding its convertible preference shares reserve.

As shown on the above table, the subscription price of the Comparable Issues as compared with the respective closing price on the last trading day ranged from a discount of approximately 39.1% to a premium of approximately 81.8%, with an average of a discount of approximately 2.0%. We note that the Subscription Price, which is at a premium of approximately 47.1% to the closing price on the Last Trading Day falls within the range of the Comparable Issues and is higher than the average of a discount of approximately 2.0%.

We note that the premium/(discount) to average closing price of the last five trading days prior to date of the subscription agreement represented by the subscription prices of the Comparable Issues ranges from a discount of approximately 41.7% to a premium of approximately 98.0%, with an average figure being a premium of approximately 4.2%. The premium of approximately 38.1% represented by the Subscription Price to the average closing price of the Shares of the last five trading days prior to date of the Subscription Agreement, therefore falls within the range of the premium/(discount) to the average closing price of the last five trading days of the Comparable Issues and is above the average figure thereof.

We also note that the premium/(discount) to average closing price of the last 30 trading days prior to date of the subscription agreement represented by the subscription prices of the Comparable Issues ranges from a discount of approximately 49.2% to a premium of approximately 89.5%, with an average figure being a premium of approximately 9.1%. The premium of approximately 43.5% represented by the Subscription Price to the average closing price of the Shares of the last 30 trading days prior to date of the Subscription Agreement, therefore falls within the range of the premium/(discount) to the average closing price of the last 30 trading days of the Comparable Issues and is above the average figure thereof.

In respect of the percentage of the number of new shares to the number of existing shares of the Comparable Issues, we note that the percentage ranged from 5.1% to 40.6%, and the Subscription Shares represent 39.46% of the issued share capital of the Company, which falls within the range of the Comparable Issues. We also note that the premium/discount of the issue price of new shares to the net asset value per share of the Comparable Issues range from a discount of 85.4% to a premium of 53.6%. The Subscription Price represents a discount of approximately 73.6% to the Group's unaudited net asset value per Existing Share (based on the unaudited consolidated net asset value of the Company as at 31 December 2019 and 30 June 2020), which is within the range of the Comparable Issues. We are of the view that the companies of the Comparable Issues may have different principal business activities, profitability, financial position and funding requirements to the Company, which lead to different fund raising scales and market valuations to their respective net asset values. As such, we consider that the Company's Subscription Shares as a percentage to the number of Existing Shares and the Subscription Price's discount to the net asset value per Existing Share, through fall within the upper end of the Comparable Issues, is in line with the market practice and is fair and reasonable.

Based on the totality of all the factors mentioned above and having considered in particular that:

- (i) the premium to the closing price of the last trading day, the average closing price of the last five and 30 consecutive days prior to the date of the Subscription Agreement represented by the Subscription Price are within the respective ranges of Comparable Issues and are above the average thereof;
- (ii) the Shares had always been trading at a discount to the net asset value per Share during the Review Period, which we consider reflects the valuation of the Shares given by the market;
- (iii) the Subscription Price is within the range of the lowest and highest closing prices and above the average of closing prices of the Shares as quoted on the Stock Exchange during the Review Period;
- (iv) the average daily trading volume of the Shares was relatively thin during the Review Period; and
- (v) the Subscription Shares as a percentage to the number of Existing Shares and the Subscription Price's discount to the net asset value per Existing Share are within the range of the Comparable Issues,

we are of the view that the Subscription Price is fair and reasonable and the terms of the Subscription are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

3. Dilution effects on the shareholding structure of the Company

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective and prior to the allotment and issue of the Subscription Shares; (iii) immediately after the allotment and issue of the Subscription Shares, assuming Share Consolidation is effective; and (iv) immediately after the allotment and issue of the Subscription Shares, assuming Share Consolidation is not effective:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective and prior to the allotment and issue of the Subscription Shares		Immediately after the allotment and issue of the Subscription Shares, assuming Share Consolidation is effective		Immediately after the allotment and issue of the Subscription Shares, assuming Share Consolidation is not effective	
	Number of Existing Shares	Approximate %	Number of Consolidated Shares	Approximate %	Number of Consolidated Shares	Approximate %	Number of Existing Shares	Approximate %
China Sugar Holdings Limited ⁽¹⁾	242,105,262	13.27	24,210,526	13.27	24,210,526	9.51	242,105,262	9.51
Chen Qiang	149,500,000	8.19	14,950,000	8.19	14,950,000	5.88	149,500,000	5.88
The Subscriber	–	–	–	–	72,000,000	28.29	720,000,000	28.29
Other public Shareholders	<u>1,433,085,258</u>	<u>78.54</u>	<u>143,308,526</u>	<u>78.54</u>	<u>143,308,526</u>	<u>56.32</u>	<u>1,433,085,258</u>	<u>56.32</u>
Total	<u>1,824,690,520</u>	<u>100.00</u>	<u>182,469,052</u>	<u>100.00</u>	<u>254,469,052</u>	<u>100.00</u>	<u>2,544,690,520</u>	<u>100.00</u>

Note:

- These shares of the Company are held by China Sugar Holdings Limited which is 100% owned by Mr. Liu Zhongxiang, an Executive Director of the Company. By virtue of the SFO, Mr. Liu Zhongxiang is deemed to be interested in the shares of the Company held by China Sugar Holdings Limited.

As shown in the above table, for illustrative purpose only, the shareholdings of the existing public Shareholders will be diluted from approximately 78.54% of the issued share capital of the Company at the Latest Practicable Date to approximately 56.32% of the issued share capital of the Company immediately after the Subscription Completion regardless of the effect of the Share Consolidation. Taking into account (i) the reasons for and benefits of the Subscription as discussed in the section headed “1. Background of and reasons for the Subscription” above; and (ii) that the terms of the Subscription are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned as discussed in the section headed “2. Principal terms of the Subscription” above, we are of the view that the aforesaid dilution effect on the shareholding interests of the existing public Shareholders is justifiable.

4. Financial effects of the Subscription

It should be noted that the below are for illustrative purpose only and do not purport to represent how the financial position of the Company will be upon the Subscription Completion.

Net assets

As per the Annual Report 2019, the net asset value of the Company as at 31 December 2019 was approximately RMB688.6 million. Upon the Subscription Completion, the net assets of the Group will be enhanced by the net proceeds from the Subscription of approximately HK\$71,400,000. As such, the entering into of the Subscription Agreement is expected to have a positive impact on the financial position of the Group.

Working capital

As per the Annual Report 2019, the bank balances and cash of the Group was approximately RMB63.5 million as at 31 December 2019. Upon the Subscription Completion, the Group's cash and liquidity positions will be improved by the net proceeds from the Subscription of approximately HK\$71,400,000. Accordingly, the cash and liquidity positions, net current assets and current ratio of the Group are expected to have positive impact upon the Subscription Completion.

Gearing ratio

Upon the Subscription Completion, the Group's total borrowings will remain unchanged while the Group's total assets will be increased by the net proceeds from the Subscription of approximately HK\$71,400,000. Therefore, it is expected that the gearing ratio of the Group will be improved.

Considering the effects of the Subscription on the overall financial position of the Company as discussed above, we are of the view that the Subscription is in the interest of the Company and the Shareholders as a whole.

Recommendation

Taking into consideration of the above principal factors and reasons, we consider that the entering into the Subscription Agreement was a fund raising activity for the Group's property development business and general working capital, which is in the ordinary and usual course of business of the Group, and we are of the opinion that the terms of the Subscription are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders, as well as the Independent Board Committee to advise the Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Wallace Cheung
Director

Note: Mr. Wallace Cheung is a licensed person registered with the SFC and a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 10 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests

As at the Latest Practicable Date, the interests of the Directors and their associates in the shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), to be entered in the register maintained by the Company pursuant to section 352 of the SFO referred to therein, or to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" in the Listing Rules, were as follows:

Name of Director	Capacity and nature of interest	Number of shares (Note 1)	Approximate percentage of shareholding
Mr. Char Shik Ngor Stephen	Share options	1,000,000 (L)	0.05%
Mr. Chen Xian	Share options	10,000,000 (L)	0.55%
Mr. Lau Sai Chung	Personal interest	148,000 (L)	0.01%
	Share options	8,000,000 (L)	0.44%
Ms. Chen Weijiang	Share options	1,000,000 (L)	0.05%
Mr. Liu Feng	Share options	4,000,000 (L)	0.22%
Mr. Liu Zhongxiang	Interest of a controlled corporation (Note 2)	242,105,262 (L)	13.27%
	Share options	15,000,000 (L)	0.82%
Mr. Poon Lai Yin, Michael	Share options	1,000,000 (L)	0.05%

Notes:

- The letters "L" denote a long position in the Shares respectively.

2. These shares of the Company are held by China Sugar which is 100% owned by Mr. Liu Zhongxiang. By virtue of the SFO, Mr. Liu Zhongxiang is deemed to be interested in the shares of the Company held by China Sugar.

Save as disclosed above, none of the Directors or chief executive of the Company are aware of any other Director or chief executive of the Company who has any interests or short positions in any Shares and underlying shares in, and debentures of, the Company or any associated corporation as at the Latest Practicable Date. Save and except as disclosed, none of the Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial shareholders' interests

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, has had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Capacity and nature of interest	Number of Shares (Note 1)	Percentage of shareholding
China Sugar Holdings Limited (Note 2)	Registered Shareholder	242,105,262 (L)	13.27%
Guangdong Nanyue Bank First Direct Branch* (Note 3)	Person having a security interest in shares	242,105,262 (L)	13.27%
Chen Qiang	Registered Shareholder	149,500,000(L)	8.19%

Notes:

- The letters "L" denote a long position in the Shares respectively.
 - 242,105,262 shares of the Company are beneficially owned by China Sugar Holdings Limited, a company wholly owned by Mr. Liu Zhongxiang, and therefore Mr. Liu Zhongxiang is deemed to be interested in these shares of the Company under the SFO.
 - China Sugar Holdings Limited has provided a share charge in respect of the 242,105,262 shares held by it in favour of Guangdong Nanyue Bank First Direct Branch.
- * The English translation of Chinese name is used for information purposes only, and should not be regarded as the official English translation of such Chinese names.

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. COMPETING INTEREST OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors or their close associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosed under the Listing Rules.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, the date of which the latest published audited consolidated financial statements of the Group were made up.

Save as disclosed in this circular, no contract or arrangement in which a Director of the Company is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

6. MATERIAL CONTRACT

Save as disclosed below, there are no material contracts (not being contract entered into the ordinary course of business) which had been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the Written Notification (國有建設用地使用權出讓成交通知) received from Maoming City Public Resources Trading Center* (茂名市公共資源交易中心) (“**Maoming Trading Center**”) to inform the Subsidiary of its successful bid of a parcel of land situated at Maoming Jixiang District* (茂名市吉祥小區)(the “**Land**”);
- (b) the Confirmation Letter entered into between the Subsidiary and Maoming Trading Center, as agent of The Maoming Municipal Natural Resources Bureau* (茂名市自然資源局)(the “**Vendor**”), on 3 December 2019 confirming the successful bid of the Land at RMB241,511,900 (equivalent to approximately HK\$268,346,556) by the Subsidiary;
- (c) the State-owned Construction Land Use Rights Grant Contract* 國有建設用地使用權出讓合同) in respect of the Land entered into between the Maonan District Natural Resources Bureau (as directed by the Vendor) and the Subsidiary on 17 December 2019; and
- (d) the Subscription Agreement.

7. LITIGATION

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

8. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement of the Company dated 14 August 2020 and the interim results announcement of the Company dated 28 August 2020 for the six months ended 30 June 2020 which stated that the Group’s revenue was expected to significantly decrease approximately 81% compared with the same period in 2019.

Save as disclosed above, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinions or advices which are contained or referred to in this circular:

Name	Qualification
Messis Capital Limited	a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Mesis Capital had given and had not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinions or reports or letters, as the case may be, and references to its names in the form and context in which they are included.

As at the Latest Practicable Date, Mesis Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Mesis Capital did not have any interests, either direct or indirect, in any assets which had been or were proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2019, the date to which the latest published audited financial statements of the Company were made up.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Fu Lui, a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, the head office and principal place of business of the Company in Hong Kong is situated at Suite 1501, 15/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited, Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

- (e) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the head office and principal place of business of the Company in Hong Kong at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Hong Kong during normal business hours on any Business Day for a period of 14 days from the date of this circular:

- (a) this circular;
- (b) the Subscription Agreement;
- (c) the memorandum of association and articles of association of the Company;
- (d) the annual reports of the Company for the three financial years ended 31 December 2017, 2018 and 2019;
- (e) the letter from the Independent Board Committee set out in pages I-1 to I-2 of this circular;
- (f) the letter from the Independent Financial Advisor set out in pages II-1 to II-19 of this circular;
- (g) the written consent from the Independent Financial Advisor as referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (h) each of the material contracts as referred to in the section headed “Material Contracts” in this appendix.



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China Uptown Group Company Limited (the “Company”) will be held at Suite 1501, 15/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 16 October 2020 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTIONS

1. “THAT:
 - (a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of, and permission to deal in, the Consolidated Shares (as hereinafter defined), every ten existing issued and unissued shares of HK\$0.10 each in the share capital of the Company be and are hereby consolidated into one share of HK\$1 (each a “Consolidated Share”) with effect from the second business day immediately following the day on which this resolution is passed (the “Share Consolidation”) and the directors of the Company (the “Directors”) be authorised to issue new share certificates in respect of the Consolidated Shares to holders of issued existing shares of the Company pursuant to the Share Consolidation and to do all things and execute all documents in connection with or incidental to the Share Consolidation;
 - (b) no shareholder of the Company will be allocated with any fractional Consolidated Shares which they would otherwise be entitled to receive and are disregarded pursuant to paragraph (a)(i) of this resolution. Any fractional entitlements of Consolidated Shares arising from the Share Consolidation will be aggregated, if possible, sold and retained for the benefit of the Company;
 - (c) all of the Consolidated Shares shall rank *pari passu* in all respects with each other.; and

- (d) any one or more of the Directors be and is/are hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to any or all of the foregoing.”
2. “**THAT** the subscription agreement dated 2 September 2020 (the “**Subscription Agreement**”) entered into by the Company with Ming Hung Fung Company Limited (銘鴻豐有限公司)(the “**Subscriber**”), in relation to the allotment and issue of 720,000,000 existing shares of the Company or, if Share Consolidation is completed, 72,000,000 Consolidated Shares of the Company (each a “**Subscription Share**”) by the Company under the Specific Mandate (as defined below), a copy of which has been produced to the EGM marked “A” and signed by the Chairman for the purpose of identification, pursuant to which the Company are to allot and issue to the Subscriber the Subscription Shares at the subscription price of HK\$0.10 per existing Share or, if Share Consolidation is completed, at the subscription price of HK\$1 per Consolidated Share, be and are hereby approved, confirmed and ratified;

Conditional upon, among others, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Share, the grant of the specific mandate to the Directors to allot and issue the Subscription Share (the “**Specific Mandate**”) be and is hereby approved, confirmed and ratified; the Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

any one or more of the Directors be and is/are hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated under the Subscription Agreement.”

By order of the Board
China Uptown Group Company Limited
Fu Lui
Company Secretary

Hong Kong, 23 September 2020

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in

Hong Kong:
Suite 1501,
15/F Tower 1,
Silvercord 30
Canton Road Tsimshatsui
Kowloon
Hong Kong

Notes:

1. In order to attend the extraordinary general meeting of the Company to be held on Friday, 16 October 2020, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 12 October 2020.
2. A member entitled to attend and vote at the extraordinary general meeting of the Company convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting of the Company to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the extraordinary general meeting or any adjournment thereof, should he so wish.
4. As at the date of this notice, the executive Directors are Mr. Liu Feng, Mr. Chen Xian, Mr. Lau Sai Chung and Mr. Liu Zhongxiang and the independent non-executive Directors are Mr. Poon Lai Yin Michael, Mr. Char Shik Ngor Stephen and Mr. Chen Weijiang.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect or extreme condition is announced any time after 7:00 a.m. on the date of the extraordinary general meeting, the meeting will be postponed. The Company will post an announcement on the website of Company at <http://www.chinauptown.com.hk> and on the HKExnews website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk to notify shareholders of the Company of the date, time and place of the rescheduled meeting.