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 or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hing Lee (HK) Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hing Lee (HK) Holdings Limited
興利（香港）控股有限公司

(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability)
(Stock code: 396)

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY; (2) PROPOSED SHARE PREMIUM CANCELLATION; (3) PROPOSED PAYMENT OF SPECIAL DIVIDEND; AND (4) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

八方金融有限公司
OCTAL Capital Limited

A letter from the board of Directors is set out on pages 5 to 24 of this circular. A letter from the Independent Board Committee is set out on page 25 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 46 of this circular.

A notice convening the SGM to be held at Unit 1101, 11/F, Delta House, 3 On Yiu Street, Shatin, N.T., Hong Kong, at 10:30 a.m.., on Friday, 16 August 2024 is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you intend to attend and vote at the SGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to 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 as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

26 July 2024

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

"Accumulated Losses"	the accumulated losses of the Company as shown in the audited financial statements of the Company for the year ended 31 December 2023
"Bank"	Shenzhen Rural Commercial Bank Pingshan Branch (深圳農村商業銀行股份有限公司坪山支行)
"Board"	the board of Directors
"Business Day(s)"	a day on which banks in Hong Kong are generally open for business (other than a Saturday, Sunday, public holiday or a day on which typhoon signal No. 8 or above or the black rainstorm signal is hoisted in Hong Kong at any time between 9:30 a.m. to 5:00 p.m.)
"BVI"	the British Virgin Islands
"Bye-laws"	the bye-laws of the Company (as amended from time to time)
"Company"	Hing Lee (HK) Holdings Limited, a company incorporated in the BVI with limited liability and was subsequently re-domiciled and continued in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange
"Companies Act"	the Companies Act 1981 of Bermuda (as amended from time to time)
"Completion"	completion of the Disposal pursuant to the terms and conditions under the Sale and Purchase Agreement
"Consideration"	the aggregate consideration for the Sale Shares of HK$62.0 million
"Contributed Surplus Account"	the contributed surplus account of the Company
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of Sale Shares by the Vendor to the Purchasers pursuant to the terms and conditions of the Sale and Purchase Agreement
"Effective Date"	the date on which the Proposed Share Premium Cancellation shall become effective (subject to the fulfillment of the conditions set forth in the section headed "Conditions of the Proposed Share Premium Cancellation" in this circular)

"Existing Corporate Guarantee"	the guarantee of maximum amount dated 2 April 2021 executed by the Company in favour of the Bank in respect of the indebtedness of the PRC Company under the First Facility Agreement
"First Facility Agreement"	the facility agreement dated 25 September 2020 between, among others, the Bank as lender and the PRC Company as borrower and mortgagor as supplemented by a supplemental facility agreement dated 17 January 2024 between the Bank and the PRC Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Kong Hing Ki, Mr. Feng Jianzhong and Ms. Leung Yuen Man, which has been established to make recommendations to the Shareholders regarding the Disposal
"Independent Financial Adviser"	Octal Capital Limited, a corporation licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
"Independent Shareholders"	Shareholders other than the Purchasers and their respective associates
"Independent Valuer"	LCH (Asia-Pacific) Surveyors Limited, an independent qualified valuer incorporated in Hong Kong with limited liability
"Latest Practicable Date"	24 July 2024, being latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Chan"	Mr. Chan Kwok Kin, one of the founders of the Group and the head of the sales and marketing department, as well as the procurement department of the Group. As at the Latest Practicable Date, 62,040,465 Shares were held by Mr. Chan and his associates
"Mr. Cheung"	Mr. Cheung Kong Cheung, one of the founders of the Group and an executive Director. As at the Latest Practicable Date, 62,040,465 Shares were held by Mr. Cheung and his associates
"Mr. Huang"	Mr. Huang Wei Ye, one of the founders of the Group and the head of the design and development department, as well as the production department of the Group. As at the Latest Practicable Date, 58,936,293 Shares were held by Mr. Huang and his associates
"Mr. Sung"	Mr. Sung Kai Hing, one of the founders of the Group and the chairman and chief executive officer of the Company and an executive Director. As at the Latest Practicable Date, 288,596,777 Shares were held by Mr. Sung and his associates
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administration Region of the People's Republic of China and Taiwan
"PRC Company"	Shenzhen Xingli Furniture Company Limited*, a company incorporated in the PRC with limited liability
"Proposed Share Premium Cancellation"	the proposed cancellation of the entire amount standing to the credit of the Share Premium Account as at the Effective Date and applying the credits arising therefrom towards the elimination of all the Accumulated Losses and transferring the remaining balance (if any) to the Contributed Surplus Account
"Purchasers"	Mr. Sung, Mr. Cheung, Mr. Chan and Mr. Huang
"Remaining Group"	the Group immediately after Completion
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 13 June 2024 entered into among the Vendor and the Purchasers in relation to the Disposal
"Sale Shares"	13,001 issued shares of US$1 each in the capital of the Target Company, representing 100% equity interest of the Target Company

"Second Facility Agreement"	means the facility agreement dated 12 October 2023 between, among others, the Bank as lender, the PRC Company as borrower and mortgagor and the Company as guarantor
"Share(s)"	ordinary share(s) of par value of HK$0.01 each in the share capital of the Company
"Share Premium Account"	the share premium account of the Company, the amount standing to the credit of which was approximately HK$176,627,000 as at 31 December 2023 based on the audited consolidated financial statement of the Company as at that date
"SGM"	the special general meeting of the Company to be held for the Shareholders to consider, and if thought fit, approve the Disposal, the Proposed Share Premium Cancellation and the proposed payment of the Special Dividend
"Shareholder(s)"	registered holder(s) of the Share(s)
"Special Dividend"	the proposed payment of special dividend of HK7.51 cents per Share as recommended by the Board
"sq. m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Success Profit International Limited, a company incorporated in the BVI with limited liability and is wholly-owned by the Vendor
"Target Group"	the Target Company and its subsidiaries, which includes Hanmix Limited and PRC Company as at the Latest Practicable Date
"Target Properties"	the factory complex located at Lot No. G14309-0285, Kengzi Town Industrial Zone, Longgang District, Shenzhen City, Guangdong Province, the PRC (including the land use rights in relation thereto)
"US$"	United States dollars, the lawful currency of the United States of America
"Valuation Report"	the valuation report of the Target Properties dated 26 July 2024 prepared by the Independent Valuer, the text of which is set out in Appendix IV to this circular
"Vendor"	Great Ample Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"%"	per cent

Hing Lee (HK) Holdings Limited
興 利（香 港）控 股 有 限 公 司

(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability)
(Stock code: 396)

Executive Directors:
Mr. Sung Kai Hing *(Chairman and Chief Executive Officer)*
Mr. Cheung Kong Cheung

Independent non-executive Directors:
Mr. Kong Hing Ki
Mr. Feng Jianzhong
Ms. Leung Yuen Man

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:
Unit 1101, 11th Floor
Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

26 July 2024

To the Shareholders,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY;
(2) PROPOSED SHARE PREMIUM CANCELLATION;
(3) PROPOSED PAYMENT OF SPECIAL DIVIDEND;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company issued on 13 June 2024 in relation to (i) the Disposal; (ii) the Proposed Share Premium Cancellation; and (iii) the proposed payment of the Special Dividend.

The purpose of this circular is to provide you with (i) further information regarding the Sale and Purchase Agreement, the Proposed Share Premium Cancellation and the proposed payment of Special Dividend; (ii) the recommendation of the Independent Board Committee in respect of the Disposal; (iii) the advice of the Independent Financial Adviser in respect of the Disposal; and (iv) other information as required under the Listing Rules.

1. VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY

On 13 June 2024 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchasers entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK$62.0 million, subject to the terms and conditions of the Sale and Purchase Agreement.

As at the Latest Practicable Date, the Target Company was owned as to 100% by the Vendor. Upon Completion, the Company will not hold any interest in the Target Company, and each member of the Target Group will cease to be a subsidiary of the Company.

THE SALE AND PURCHASE AGREEMENT

Principal terms of the Sale and Purchase Agreement are as follows:

Date

13 June 2024 (after trading hours)

Parties

(i) Great Ample Holdings Limited, as the Vendor; and

(ii) Mr. Sung, Mr. Cheung, Mr. Chan and Mr. Huang, as the Purchasers.

Subject Matter

The Vendor conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, the Sale Shares in the Target Company. The Sale Shares represent 100% of the equity interest in the Target Company.

Consideration and payment

The Consideration for the Disposal is HK$62.0 million and shall be paid in cash by the Purchasers to the Vendor on the date of the Completion in Hong Kong Dollars, Renminbi or United States Dollars at a fixed exchange rate of HK$1.00 to RMB0.927 or HK$7.80 to US$1.00.

Set out below is the number of Sale Shares which shall be purchased by each Purchaser and their respective consideration:

	Number of Sale Shares	% of the total Sale Shares	Consideration *HK$'000*
Mr. Sung	9,250	71.15	44,112
Mr. Cheung	1,451	11.16	6,920
Mr. Chan	1,451	11.16	6,920
Mr. Huang	849	6.53	4,048
Total	13,001	100	62,000

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchasers on normal commercial terms with reference to, among other things, (1) the value of the Target Properties conducted by the Independent Valuer in accordance with International Valuation Standards for information purpose, of which the value of land element of the Target Properties was nil and the depreciated replacement cost of the building elements of the Target Properties of RMB61.2 million as at 31 May 2024 (equivalent to approximately HK$67.4 million using the exchange rate of HK$1 to RMB0.9077); (2) the unaudited consolidated net asset value of the Target Group of approximately HK$59.0 million as at 30 April 2024 (including the net book value of the land use rights of the Target Properties of approximately HK$16.6 million, the net book value of the buildings of the Target Properties of approximately HK$69.9 million and the bank loans of the Target Group of HK$55.8 million as at 30 April 2024); and (3) the factors set out in the paragraph headed "Reasons for and the Benefits of the Disposal" below.

Based on the Valuation Report, for information purpose, the building elements of the Target Properties were valued at RMB61.2 million (equivalent to approximately HK$67.4 million) as at 31 May 2024 by adopting the depreciated replacement cost method and the value of land element of the Target Properties was nil. Based on the net carrying value of the building elements of the Target Properties of approximately HK$69.9 million as at 30 April 2024, the appraised value of the building elements of the Target Properties represents a valuation deficit of approximately HK$2.5 million. With reference to the management account of the Target Group for the four months ended 30 April 2024, the Directors noted that the net book value of land use rights is approximately HK$16.6 million. The Directors reviewed the Valuation Report and noted that the Independent Valuer assigned no commercial value to the land element of the Target Properties. The Directors are aware that the transferability restrictions of the land hinder the disposal of Target Properties in the secondary market in particular the potential buyers are less willing to acquire the Target Group which holds a piece of land which is not allowed to be sold on a standalone basis. Therefore, the Directors encountered difficulties to find any potential buyers to acquire the Target Group. The Directors concur with the Independent Valuers that no sale of land transactions with similar features could be located in the market. The Directors are of the view that it is unfair if the land is disposed at nil cost and the net book value of land use rights of approximately HK$16.6 million should be compensated by the potential buyer, therefore the net asset value of the Target Group (including the net book value of the land use right of approximately HK$16.6 million) is one of the factors to determine the Consideration.

After considering the unaudited consolidated net asset value of the Target Group of approximately HK$59.0 million as at 30 April 2024 and the valuation deficit of the building elements of the Target Properties of approximately HK$2.5 million, the adjusted unaudited consolidated net asset value of the Target Group as at 30 April 2024 was HK$56.5 million. Hence, the Consideration of HK$62.0 million represents a premium of approximately 9.73% to the adjusted unaudited consolidated net asset value of the Target Group, which the Directors consider to be fair and reasonable.

Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon:

(a) all necessary approvals by the Independent Shareholders in the SGM in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder in a manner as required by the Stock Exchange or under the Listing Rules, the Bye-laws and the applicable legislation having been obtained; and

(b) the Company having been released and discharged of all its obligations and liabilities under the Existing Corporate Guarantee and the Second Facility Agreement by the Bank.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

If any of the above conditions shall not have been fulfilled by 31 December 2024 or such other date as shall be agreed between the Vendor and the Purchasers in writing, each party to the Sale and Purchase Agreement shall be entitled to terminate the Sale and Purchase Agreement by notice in writing to the other parties, whereupon the Sale and Purchase Agreement and everything therein contained shall be null and void and of no effect. Upon termination of the Sale and Purchase Agreement, no party to the Sale and Purchase Agreement shall have any rights, obligations or liabilities under the Sale and Purchase Agreement.

The Disposal is not conditional upon the Proposed Share Premium Cancellation or the proposed payment of the Special Dividend.

Completion

Completion shall take place on the second Business Day after the date on which all of the conditions precedents are satisfied, or such other date as shall be agreed between the Vendor and the Purchasers in writing.

Transfer of trademarks

The trademarks relating to furniture brands registered in the name of the PRC Company are intended to be transferred to other subsidiaries of the Company at nil cost after the signing of the Sale and Purchase Agreement and licences may be granted to the Company and/or its other subsidiaries to use such trademarks prior to completion of such transfer at nil cost. The Purchasers have undertaken with the Vendor to procure that the PRC Company will not take any steps to terminate or cancel such transfer or licences after Completion.

As the time required to transfer the trademarks relating to furniture brands from the PRC Company to a subsidiary of the Remaining Group may take approximately four to six months and the Purchasers have given the undertaking referred to in the preceding paragraph, the Directors consider that including the transfer of trademarks in the condition precedents under the Sale and Purchase Agreement may delay the completion of the Disposal and the payment schedule of Special Dividend. On the other hand, the Group did not utilize these trademarks and no revenue has been generated in relation to these trademarks during the past three years. The Group has no intention to relaunch the furniture products under these three trademarks and thus the transfer of these three trademarks will not affect the ordinary and usual course of business of the Group. Therefore, the Directors consider that it is fair and reasonable and in the interest of the Company and its shareholders in this regard.

The three trademarks registered under the PRC Company are summarized as below:

Name of trademarks	**Registration number**	**Class**	**Validity period of trademark registration**
AOMAX澳玛	20300052	20	28 February 2018 to 27 February 2028
澳瑪	19756265	20	14 June 2017 to 13 June 2027
ROMEX珞美	14818777	20	28 April 2016 to 27 April 2026

Save for the abovementioned trademarks, the Target Group did not own any other trademarks.

As at the Latest Practicable Date, the transfer applications of these three trademarks have been submitted to the relevant authorities and the transfer is expected to be completed on or before 31 December 2024.

VALUATION OF TARGET PROPERTIES

The Company engaged LCH (Asia-Pacific) Surveyors Limited, the Independent Valuer, to conduct the valuation of the Target Properties for the purpose of the Disposal. The Independent Valuer is a firm of professional surveyors and international valuation consultants. The Independent Valuer started its operation in Hong Kong in 1994 as a professional asset advisory and valuation consultant to multi-national enterprises and listed companies with principal businesses in the PRC and Asia-Pacific regions. The team of the Independent Valuer have obtained professional qualifications from various international valuation professional organizations, such as The Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors. During the past three years, the Independent Valuer has engaged in over 100 valuation projects for the companies listed on Stock Exchange.

According to the Valuation Report, there are three generally accepted approaches in arriving at the market value of the Target Properties on an absolute title basis, namely the sales comparison approach (or known as the market approach), the cost approach and the income approach. The preconditions for the adoption of the market approach are a developed, fair and active open market with sufficient market information and the availability of comparable transactions on the open market. The land use rights in relation to the Target Properties, are not allowed to be transferred or leased pursuant to the relevant Realty Title Certificates. As the state-owned land use rights of the Target Properties are not allowed to be transferred or leased, there are no comparable transactions in the open market. The market approach is not appropriate for the valuation of the Target Properties. The income approach is not appropriate as the Target Properties are not allowed to be leased, and no rental income will be generated. The Independent Valuer concluded that the Target Properties have no commercial value due to its restriction in transferability.

For information purpose, the non-market value basis of the depreciated replacement cost of the building elements of the Target Properties was reported by the Independent Valuer by adopting the depreciated replacement cost method under the cost approach. However, the cost approach is not appropriate to determine the value of the land element of the Target Properties, as every piece of land is unique. It would be challenging to find a replacement site with the same features and characteristics as the land element of the Target Properties, which contributes to the service potential of the building elements (the improvements) within their specific locality to be a representative comparable to build up the cost. For the depreciated replacement cost method, the gross replacement cost of the building elements of the Target Properties should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the valuation date, fit for and capable of being occupied and used for the current use.

The Target Group holds the Target Properties as its major asset and asset-based approach (involving fair value of the balance sheet items) is commonly adopted as the valuation approach. After considering that (i) the Target Group has recorded continuing losses for the three years ended 31 December 2023; (ii) the total assets of the Target Group as at 30 April 2024 primarily comprise the Target Properties (including both the buildings and the land use rights) accounting for approximately 67% of the total assets, with the remaining assets comprising primarily receivables and cash; (iii) the small-scale Promotion Business has discontinued upon the expiry of the relevant business contract in March 2024; (iv) the SE Asia Furniture Business of the Target Group has been transferred to the Remaining Group; (v) the Target Properties are not allowed to be leased and thus are unable to generate any rental income; and (vi) the Target Group will not be operating any furniture business upon the Completion, the Board considers that conducting a property valuation is more appropriate to reflect the status of the Target Group, which purely holds the Target Properties upon the Completion.

Taking into account, among others, (i) there is no open market for such comparable transactions due to the transferability restrictions; and (ii) the Target Properties are not allowed to be leased and thus no rental income will be generated from the Target Properties, the Board concurs with the Independent Valuer that depreciated replacement cost method under the cost approach is the most appropriate method for assessing the depreciated replacement cost of the building elements of the Target Properties. As the major asset of the Target Group is the Target Properties, the Board considers that the valuation of the Target Properties as one of the references for determining the Consideration is fair and reasonable.

INFORMATION OF THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

The Group

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses, provision of promotional services relating to layout design, fitting and display of products and licensing of its own brands and product designs. The Group is operating a leased factory, which is located in Pingshan District, Shenzhen City, Guangdong Province, the PRC, for the production of sofa.

The Vendor

The Vendor is a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

The Purchasers

Mr. Sung

Mr. Sung is the chairman and chief executive officer of the Company and an executive Director. Mr. Sung is also one of the founders of the Group and he has over 20 years of experience in the furniture industry. He is primarily responsible for the overall strategic planning and business development of the Group as well as overseeing the daily operations of the Group. Besides, he is also a director of certain subsidiaries of the Company.

As at the Latest Practicable Date, 29,690,000 Shares, representing approximately 3.67% of the total issued share capital of the Company, were held by Mr. Sung and 258,906,777 Shares, representing approximately 32.04% of the total issued share capital of the Company, were held by King Right Holdings Limited, a company beneficially wholly-owned by Mr. Sung, who is also the sole director of King Right Holdings Limited.

Mr. Cheung

Mr. Cheung is an executive Director. Mr. Cheung is also one of the founders of the Group and he has over 20 years of experience in the furniture industry. He is responsible for the administration and human resources management, as well as upholstered furniture business of the Group. Besides, he is also a director of certain subsidiaries of the Company.

As at the Latest Practicable Date, 7,200,000 Shares, representing approximately 0.89% of the total issued share capital of the Company, were held by Mr. Cheung and 54,840,465 Shares, representing approximately 6.79% of the total issued share capital of the Company, were held by United Sino Limited, a company beneficially wholly-owned by Mr. Cheung, who is also the sole director of United Sino Limited.

Mr. Chan

Mr. Chan is one of the founders of the Group and he has over 20 years of experience in the furniture industry. He is the head of the sales and marketing department, as well as the procurement department of the Group. He is responsible for formulating the Group's sales and marketing strategies and procurement policies and overseeing the Group's sales and marketing activities. Besides, he is also a director of certain subsidiaries of the Company.

As at the Latest Practicable Date, 7,200,000 Shares, representing approximately 0.89% of the total issued share capital of the Company, were held by Mr. Chan and 54,840,465 Shares, representing approximately 6.79% of the total issued share capital of the Company, were held by Golden Sunday Limited, a company beneficially wholly-owned by Mr. Chan.

Mr. Huang

Mr. Huang is one of the founders of the Group and he has over 25 years of experience in the furniture industry. He is the head of the design and development department, as well as the production department of the Group. He is responsible for overseeing the design, development and manufacture of the Group's furniture products. Besides, he is also a director of certain subsidiaries of the Company.

As at the Latest Practicable Date, 7,350,000 Shares, representing approximately 0.91% of the total issued share capital of the Company, were held by Mr. Huang and 51,586,293 Shares, representing approximately 6.38% of the total issued share capital of the Company, were held by Top Right Trading Limited, a company beneficially wholly-owned by Mr. Huang.

The Target Group

The Target Group consists of the Target Company, Hanmix Limited and the PRC Company. The Target Company is a company incorporated in the BVI with limited liability and is wholly-owned by the Vendor. Hanmix Limited is a company incorporated in Hong Kong with limited liability and is wholly owned by the Target Company. The PRC Company is a company established in the PRC with limited liability and is wholly owned by Hanmix Limited. The Target Company and Hanmix Limited are investment holding companies.

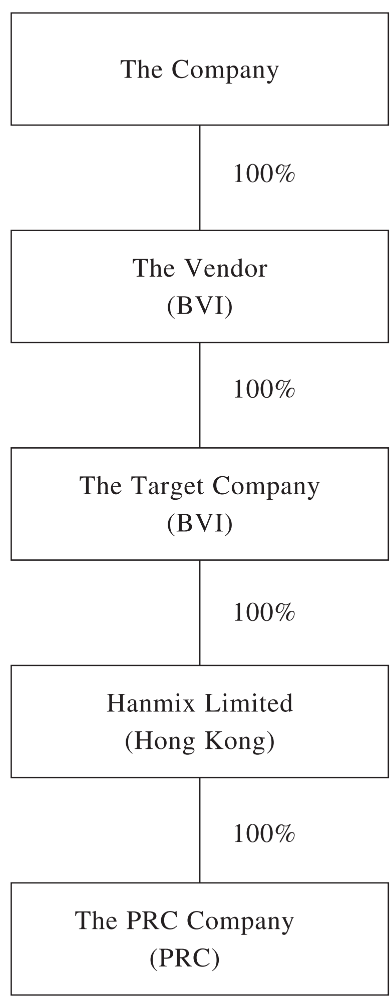
The major asset of the PRC Company is the Target Properties located at Lot No. G14309-0285, Kengzi Town Industrial Zone, Longgang District, Shenzhen City, Guangdong Province, the PRC which comprise: (i) a parcel of land having a site area of approximately 43,817.36 sq. m.; (ii) a single storey workshop with a gross floor area of approximately 3,050 sq. m.; (iii) a three storey workshop with a gross floor area of approximately 30,173 sq. m.; (iv) a single storey warehouse with a gross floor area of approximately 109 sq. m.; and (v) an eight storey dormitory with a gross floor area of approximately 8,886 sq. m.. As at 30 April 2024, the net book value of the land use right and the buildings of the Target Properties were approximately HK$16.6 million and HK$69.9 million respectively. Prior to the year ended 31 December 2019, the Target Properties used to be the production base and showroom of the Group's furniture products. However, the production activities of the PRC Company ceased during the year ended 31 December 2019. The majority of the Target Properties is now vacant, except that a small area of the Target Properties is still being occupied by the Group for office purpose and certain products and equipment of a third party (whose products were being promoted in connection with the PRC Company's promotion business) have been seized by the court (the "**Incident**"). The court seizure order is made against the owner of the products and equipment who is in financial difficulties. As advised by the PRC legal adviser of the Company, these products and equipment are not allowed to be moved from the site under the court seizure order without the approval or authorization from the court.

The Directors have consulted the PRC legal adviser of the Company in relation to the legality of the Disposal. According to the legal opinion issued by the PRC legal adviser of the Company, since the transfer of equity interests of the Target Company would not change the ownership of the land use rights which would still be held by the PRC Company upon the Completion, the transfer of the Target Group would not violate the transferability restriction of the land use rights.

The Company has been looking for potential buyers through business connection of the Directors among the furniture peers in the PRC and approached the potential buyers to explore the possibilities of disposing the Target Group. However, the Company only received a few enquiries from potential buyers, who later expressed their concerns on the Incident, the transferability restriction of the Target Properties and the risks associated with the transfer of equity interest of the Target Company, as compared to the transfer of Target Properties. They did not show interest to acquire a company with properties affected by court seizure order nor were they willing to spend additional time and costs in relation to the court seizure order.

Since April 2020, the Target Group carried on the business of promotional services relating to layout design, fitting and display of products at certain part of the Target Properties (the "**Promotion Business**"). The scale of the Promotion Business was small and following the expiry of the business contract in March 2024, the Promotion Business has ceased. The PRC Company has also been engaging in the sale of home furniture products to customers located in South East Asia (the "**SE Asia Furniture Business**"). The SE Asia Furniture Business of the Target Group generated revenue of HK$16.3 million for the year ended 31 December 2023, which accounted for approximately 17.30% of the Group's total revenue for the year ended 31 December 2023. In June 2024, the Group has transferred the existing customers of the PRC Company to other subsidiaries of the Remaining Group and the SE Asia Furniture Business continues to operate under the same business model without any disruption to its operation. As such, the Disposal will not cause any adverse effect on the SE Asia Furniture Business.

The following chart sets forth the shareholding structure of the Target Group as at the Latest Practicable Date:



Set out below is a summary of the unaudited consolidated financial information of the Target Group (prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants) for the three years ended 31 December 2021, 2022 and 2023 and for the four months ended 30 April 2023 and 2024:

	Year ended 31 December			Period ended 30 April	
	2021	**2022**	**2023**	**2023**	**2024**
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*
Revenue from:					
– Promotion Business	12,583	11,612	11,104	4,550	2,737
– SE Asia Furniture Business	26,082	15,452	16,314	3,090	4,081
	38,665	27,064	27,418	7,640	6,818
Loss/profit before taxation	(7,795)	(18,754)	(6,995)	109	(440)
Loss/profit for the year/period	(7,811)	(18,754)	(6,995)	109	(440)

Based on the unaudited consolidated financial information of the Target Group, the total assets and net assets value of the Target Group as of 30 April 2024 were approximately HK$129.1 million and HK$59.0 million, respectively.

The net assets value of the Target Group increased from approximately HK$22.3 million as at 31 December 2023 to approximately HK$59.0 million as at 30 April 2024 mainly due to the capitalization of amount due to the Group by the Target Group of approximately HK$37.1 million. As at 16 April 2024, the amount due to the Group by the Target Company was approximately HK$37.1 million. The Target Company has issued new shares to the Vendor at total issue price of approximately HK$37.1 million to offset the amount due to the Group. As such, the total liability of the Target Company has decreased by approximately HK$37.1 million and total equity of the Target Company has increased by approximately HK$37.1 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal represents a good opportunity for the Group to realize a vacant asset for cash which could be primarily used for the proposed payment of the Special Dividend.

Prior to the year ended 31 December 2019, the Target Properties served as production bases for the manufacturing of wood-based furniture and showroom of the Group's furniture products. However, due to the outbreak of the coronavirus disease in the PRC, some sales orders and furniture related projects were cancelled which reduced the utilization of the production capacity. As most of the customers have changed to use the online platform such as video conferencing with virtual graphics display for furniture viewing and selection, the usage of showroom has been substantially reduced. In view of the change in the operating environment and with an aim to reduce the operating and maintenance cost of the Target Properties, the Group suspended all production activities at the Target Properties and outsourced the production of the wood-based furniture to independent furniture manufacturers in the PRC.

Subsequently in April 2020, the PRC Company commenced a design and promotional project by entering into a contract with a customer for providing the promotional services (including layout design as well as fitting and display arrangement for the customers' products) and using certain part of the Target Properties for showroom and storage purposes. The scale of the Promotion Business was small and following the expiry of the business contract in March 2024, the Promotion Business has ceased.

The Company has considered other means to utilize the idle Target Properties, including but not limited to, using them as warehouse and storage or resuming the production activity of the Target Group. However, the Group has been outsourcing its wood-based furniture production to other independent furniture manufacturers since 2020 and the collaboration with those manufacturers has been smooth and successful with better cost control during the past few years. Therefore, the Group has no plan to resume its own production activities in the Target Properties.

Due to the transferability restrictions of the Target Properties, the Company has difficulties to find potential buyers to acquire the Target Properties. The Company has approached independent third parties to seek their interests in buying the PRC Company holding the Target Properties, however, no interested buyer could be secured so far due to the reasons that (i) the Target Group have incurred a high level of liabilities in terms of the bank loans; (ii) the use of the Target Properties is restricted due to the Incident; and (iii) there are many similar properties (without restriction of usage) available for sale in the market. As such, the Disposal is the most viable option for the Company to realize the idle Target Properties for cash under the prevailing market circumstances. The Target Group (holding land use rights and the buildings of the Target Properties) will be transferred to the Purchasers through the transfer of the Sale Shares under the Sale and Purchase Agreement.

As at 31 December 2023, the Group recorded bank loans of approximately HK$53.8 million which was wholly attributable to the Target Group. The interest expenses was approximately HK$3.9 million for the year ended 31 December 2023. Upon Completion, the Remaining Group will no longer have bank borrowings and loans, which will improve the gearing level of the Remaining Group and reduce the interest burden of the Remaining Group.

With respect to the SE Asia Furniture Business, the Group has transferred the existing customers of the SE Asia Furniture Business to other subsidiaries of the Remaining Group and will continue with the SE Asia Furniture Business after the Completion. The Group has informed the customers of the SE Asia Furniture Business that all future purchase orders should be placed to other subsidiaries of the Remaining Group from 1 June 2024 onwards. The Group has been operating under a centralized model in which the export sales and marketing team, the design team, the logistic team, the quality assurance team and the finance team are responsible for all work related to exports sales of the Group. The staff were employed by the Remaining Group. The management cost amounting to approximately HK$4.6 million was charged by the Remaining Group to the Target Group for the past three years because the Target Group shared the manpower resources with the Remaining Group. The role of the Target Group is acting as a trading vehicle for taking sales orders from the SE Asia Furniture Business, thus it is unnecessary to transfer any employees or assets in relation to the SE Asia Furniture Business from the Target Group to the Remaining Group. Save and except for the Target Properties and the three trademarks held by the PRC Company, the Target Group did not have any assets in relation to the SE Asia Furniture Business.

As at the Latest Practicable Date, the Target Group has collected the final sales proceeds from a customer of SE Asia Furniture Business in June 2024, and the transfer of SE Asia Furniture Business to the Remaining Group has been completed. From 1 June 2024, all sales orders in relation to SE Asia Furniture Business have been taken up by other subsidiaries of the Remaining Group and all sales revenue of SE Asia Furniture Business together with its relevant direct cost has been recognized by the Remaining Group in the same way as the historical revenue and cost of the Target Group. Such arrangement allows the continuity of the SE Asia Furniture Business without being affected by the Disposal. Since the revenue and business model of SE Asia Furniture Business remains the same before and after the Disposal, the Board considers that it is appropriate to transfer the SE Asia Furniture Business from the Target Group to the Remaining Group.

Having considered that (i) the Target Properties are not required for the production activities of the Group as most of its production has been outsourced to independent furniture manufacturers; (ii) the Incident leads to certain area of the Target Properties being restricted for use; (iii) there is no open market for the idle Target Properties due to the transferability restrictions; (iv) the Group will no longer have any bank borrowings and loans after the Completion and the gearing level of the Remaining Group is expected to be substantially improved; (v) the SE Aisa Furniture Business has been fully taken up by other subsidiaries of the Remaining Group and there will be no effect on the scale of furniture business of the Group after the Completion; and (vi) the Consideration represents a premium of approximately 9.73% to the adjusted unaudited consolidated net asset value of the Target Group and the Group will record a gain from the Disposal, the Board (including the independent non-executive Directors but excluding the executive Directors who have abstained from voting on the Board resolutions) is of the view that the Disposal is fair and reasonable, and in the interests of the Company and the Shareholders as a whole and the Sale and Purchase Agreement was entered into on an arm's length basis between the Company and Purchasers, and is on normal commercial term.

BUSINESS PROSPECTS OF THE REMAINING GROUP

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses, provision of promotional services relating to layout design, fitting and display of products and licensing of its own brands and product designs. The Group offers one-stop furniture manufacturing services which cover the whole process of manufacturing, sales and marketing of home furniture products including designing the style and structure of furniture, sample-making, procuring and inspecting quality of raw materials, arranging production of furniture, performing quality examination on final products and arranging logistics services to deliver the final products to the customers' destination worldwide. The Group is operating a leased factory which is located in Pingshan District, Shenzhen City, Guangdong Province, the PRC, for the production of sofa while the production of other furniture have been outsourced to five long-cooperated independent furniture manufacturers in Guangdong Province. The Group has employed approximately 110 staff engaging in the furniture business. The Group has a wide range of well-established international and domestic customer base including furniture brand owners, furniture suppliers and furniture retailers in Asia, Europe, United States and the PRC, of which a majority of the revenue of the furniture business was derived from overseas customers.

When the Group receives orders from the customers, the sales team will go through the details of craftmanship with the customers, including the design, the color, the measurement and the selection of raw materials. The design team will prepare a draft furniture layout and price quotation for the customer's final review. Once the customers confirm the design, the quantity and the indicative selling price, the design team will commence the sample production which takes around one to two weeks. The customers will send a representative to the production site to inspect the sample and discuss any alteration if needed with the design team. Once the customer agrees with the sample furniture and the total selling price, the sales team will enter into the sales contract with the customers. The Group will arrange and schedule the mass production based on the quantity of orders and the delivery timetable. Subsequently, the production will either take place in the sofa factory in Pingshan District operated by the Group or be outsourced to other furniture manufacturers. Before each shipment, the quality assurance personnel would conduct random sample checking on at least 5% of the finished goods to ensure that the products comply with the Group's quality standards and the customers' requirements. At the final stage, the finished goods will be delivered to the designated locations assigned by the customers and the logistic arrangement is handled by the logistic team of the Group.

The Group has been focusing on the overseas markets by exporting its branded and unbranded wood-based furniture and mattress products to overseas countries mainly in Asia, Europe, United States and Africa. The Group does not engage any overseas distributor for its export sales. Through participation in trade fairs and exhibitions in the PRC and overseas, the Group has been able to connect with overseas buyers and increase the international exposure of the Group's brands and product designs, and establish and maintain relationship with overseas furniture customers. The Group has an export sales and marketing team of approximately 10 staff who are responsible for organizing participation in various trade fairs and exhibitions, providing regular product update to customers and managing all sales orders placed by overseas customers. During FY2023, the top five customers accounted for approximately 88.8% of the total revenue of the Group and all of these customers have maintained a business relationship with the Group for over five years.

Following the Completion, the Remaining Group will continue with its furniture business. The management of the Group consider that the PRC real estate sector has been experiencing a significant downturn which has resulted in a decline in demand for the furniture products in the PRC. In view of the foregoing challenges in the PRC market, the Remaining Group is adjusting its business strategy to explore cooperation opportunity with different types of customers in the PRC. On the other hand, the Remaining Group will continue to focus on the business development with overseas customers and the expansion of its customer profile and sales in the overseas market especially in the Middle East and Japan markets. The Remaining Group has successfully increased its sales in Japan during 2024.

The Remaining Group will put more effort in research, development and promoting the new products by participating in trade fairs and will make frequent contact with customers of the Remaining Group to keep them updated on the Remaining Group's latest offerings and share the market trend information with the customers to assist them in making favourable procurement decisions. The management of the Remaining Group will closely monitor the on-going market trend and customers' preference in order to ensure the design and quality of the home furniture products are keeping abreast of the market.

FINANCIAL IMPACT OF THE DISPOSAL

Upon Completion, each member of the Target Group will cease to be a subsidiary of the Company, and the financial information of the Target Group will no longer be consolidated into the Group's consolidated financial statements. The gross proceeds from the Disposal are expected to be HK$62.0 million and the net proceeds (after deducting transaction costs and professional expenses) are expected to be approximately HK$60.7 million. According to Appendix III to this circular, assuming the Disposal has been completed on 31 December 2023, the gain on disposal is estimated to be approximately HK$11.1 million, taking into account of the net proceeds from the Disposal minus (i) the net asset value of the Target Group as at 31 December 2023 of approximately HK$22.3 million and (ii) the capitalization of the amount due to the Group by the Target Group of approximately HK$37.1 million, and adding back the release of exchange fluctuation reserve of the Target Group of approximately HK$9.8 million.

The above financial impact is shown for illustrative purpose only and the actual gain or loss as a result of the Disposal is subject to, among other things, the audited consolidated net asset value of the Target Group on the day of Completion and the audit to be conducted by the auditors of the Company.

USE OF PROCEEDS

The Board proposes that, subject to the fulfillment of any applicable conditions (including the Independent Shareholders having approved the Disposal, and the Shareholders having approved the Proposed Share Premium Cancellation and the payment of the Special Dividend at the SGM), the net proceeds of approximately HK$60.7 million will be primarily distributed to the Shareholders as the Special Dividend.

In case the resolutions for the Proposed Share Premium Cancellation and the payment of Special Dividend are voted down by the Shareholders at the SGM, the net proceeds from the Disposal will be used (i) as to approximately 20% for participating in furniture trade fairs and exhibitions in the PRC and overseas; (ii) as to approximately 20% for investing in furniture business through merger and acquisitions when opportunities arise; (iii) as to approximately 50% for future development of the Group, including upgrade of equipment and software and recruitment of additional staff; and (iv) as to approximately 10% for general working capital of the Group.

(2) PROPOSED SHARE PREMIUM CANCELLATION

The Board intends to seek Shareholders' approval at the SGM to effect the Proposed Share Premium Cancellation by cancelling the entire amount standing to the credit of the Share Premium Account and applying the credits arising therefrom towards the elimination of all the Accumulated Losses and transferring the remaining balance to the Contributed Surplus Account. As at 31 December 2023, the amount standing to the credit of the Share Premium Account was approximately HK$176,627,000 and the amount of Accumulated Losses was approximately HK$108,484,000.

Pursuant to the Proposed Share Premium Cancellation, it is proposed that the entire amount standing to the Share Premium Account as at the Effective Date be cancelled, with part of the credit arising therefrom being applied towards the elimination of the Accumulated Losses and the remaining balance in the amount of approximately HK$68,143,000 being credited to the Contributed Surplus Account. Upon the Proposed Share Premium Cancellation becoming effective, all the Accumulated Losses will be eliminated. The Company proposes to apply part of the credit balance of the Contributed Surplus Account to pay the Special Dividend.

The Proposed Share Premium Cancellation does not involve any reduction in the authorized or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements in respect of the Shares.

Effects of the Proposed Share Premium Cancellation

Implementation of the Proposed Share Premium Cancellation will not of itself alter the underlying assets, business, operations, management, financial position (other than as regards the payment of the relevant expenses) or the paid up share capital of the Company.

Conditions of the Proposed Share Premium Cancellation

The Proposed Share Premium Cancellation is conditional upon:

(i) the passing of a special resolution by the Shareholders at the SGM to approve the Proposed Share Premium Cancellation; and

(ii) compliance by the Company with the requirements of section 46(2) of the Companies Act to effect the Proposed Share Premium Cancellation and the Directors being satisfied that on the Effective Date, there are no reasonable grounds for believing that the Company is, or after the Effective Date would be, unable to pay its liabilities as they become due.

The conditions above cannot be waived. Subject to the fulfillment of the above conditions, the Effective Date is expected to be the date of passing the special resolution by the Shareholders at the SGM to approve the Proposed Share Premium Cancellation or upon the day on which the above conditions are fulfilled (whichever is later).

The Proposed Share Premium Cancellation is not conditional upon the Disposal or the proposed payment of the Special Dividend.

(3) PROPOSED PAYMENT OF THE SPECIAL DIVIDEND

The Board recommends the payment of the Special Dividend of HK7.51 cents per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined, subject to the conditions as stated below.

The Special Dividend is permitted to be made out of the Contributed Surplus Account in accordance with the provisions of the applicable laws of Bermuda and the Bye-laws. An ordinary resolution will be proposed at the SGM to approve the payment of the Special Dividend.

Conditions of the proposed payment of the Special Dividend

The proposed payment of the Special Dividend is conditional upon the satisfaction of the following conditions:

(a) the passing of a special resolution by the Shareholders at the SGM approving the Proposed Share Premium Cancellation and the Proposed Share Premium Cancellation having become effective;

(b) the passing of an ordinary resolution by the Shareholders at the SGM approving the payment of the Special Dividend;

(c) the completion of the Disposal;

(d) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, or would after the date on which the Special Dividend is paid be, unable to pay its liabilities as they become due, or the realisable value of the Company's assets would thereby be less than its liabilities; and

(e) the Company having complied with all requirements under the laws of the Bermuda, the Bye-laws and the Listing Rules regarding the proposed payment of Special Dividend.

The conditions above cannot be waived. If the conditions are not satisfied, the Special Dividend will not be paid. Subject to the fulfilment of the above conditions, the record date has not yet been determined. Further announcement(s) will be made by the Company when appropriate.

Reasons for the Proposed Share Premium Cancellation and proposed payment of the Special Dividend

The Board considers that it is unnecessary to maintain the Share Premium Account at the current level due to the fact that there are restrictions on utilizing the fund in the Share Premium Account. The Company is subject to restrictions under the Companies Act on the use of the funds standing to the credit of the Share Premium Account in limited circumstances, such as for paying up Shares to be issued to Shareholders as fully paid bonus Shares or writing off the expenses of any issue of Shares. The Contributed Surplus Account is a distributable reserve which is available to be generally applied by the Company as the Board thinks fit, including but not limited to, payment of dividends to the Shareholders and elimination of accumulated losses, if any, in accordance with the Companies Act and the Bye-laws of the Company. The Board considers that it is in the best interests of the Company and the Shareholders to proceed with the Share Premium Cancellation.

The Proposed Share Premium Cancellation, after becoming effective, with part of the credit arising therefrom being applied towards the elimination of the Accumulated Losses and the remaining balance being credited to the Contributed Surplus Account, which is a distributable reserve, will give the Company greater flexibility to use such reserve for payment of dividends to the Shareholders in the future as the Board may think fit. On the other hand, the Board considers the Accumulated Losses to be historical and proposes the reduction of the Share Premium Account to eliminate the Accumulated Losses and to better reflect the financial position of the Company which it considers to be in the best interests of the Company and the Shareholders as a whole.

The Special Dividend provides the opportunity for a substantial and immediate cash realization to the Shareholders from the proceeds of the Disposal. After taking into account a number of factors including (i) the Group having recorded net cash inflow from operating activities of approximately HK$15.9 million for the year ended 31 December 2023; (ii) the cash and cash equivalents of the Group being approximately HK$33.5 million as at 31 December 2023; (iii) the Remaining Group having no bank borrowings and loans after the Completion; and (iv) the Remaining Group having no concrete plan for capital investment, the Board considers that the Remaining Group has sufficient working capital upon the Completion to maintain its operation and accordingly it is appropriate to propose the payment of Special Dividend to recognize the Shareholders' support. The Board considers such arrangement to be in the interests of the Company and its Shareholders as a whole. The Special Dividend will allow Shareholders to immediately realize substantial value from their shareholdings in the Company. If the Disposal is not approved by the Independent Shareholders, or does not complete, then the Special Dividend will not be paid.

The Board believes that the payment of the Special Dividend will not have any material adverse effect on the underlying assets, business, operations or financial position of the Group and does not involve any reduction in the authorized or issued share capital of the Company or reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

Further announcement in respect of the details of the Special Dividend, including but not limited to the closure date of the register of members of the Company, the record date for determining entitlements to receive the Special Dividend and the pay-out date for the Special Dividend, will be made by the Company when appropriate.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Rule 14.06(4) of the Listing Rules and is therefore subject to reporting, announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (i) Mr. Sung is a controlling shareholder of the Company and an executive Director, chairman and chief executive officer of the Company and is acting in concert with Mr. Cheung, Mr. Chan and Mr. Huang; (ii) Mr. Cheung is an executive Director; and (iii) Mr. Chan and Mr. Huang are directors of certain subsidiaries of the Company. As such, the Purchasers are connected persons of the Company. Therefore, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

Mr. Sung and Mr. Cheung are considered to have material interests in the Disposal. Mr. Sung and Mr. Cheung have abstained from voting on the board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Sale and Purchase Agreement shall abstain from voting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM. As at the Latest Practicable Date, (i) King Right Holdings Limited held 258,906,777 Shares and Mr. Sung held 29,690,000 Shares; (ii) United Sino Limited held 54,840,465 Shares and Mr. Cheung held 7,200,000 Shares; (iii) Golden Sunday Limited held 54,840,465 Shares and Mr. Chan held 7,200,000 Shares; and (iv) Top Right Trading Limited held 51,586,293 Shares and Mr. Huang held 7,350,000 Shares. Accordingly, the Purchasers and their associates will be required to abstain from voting in the resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM. Save as disclosed above, to the best knowledge of the Directors, no other Shareholders would be required to abstain from voting on the relevant resolutions at the SGM.

SGM

The Company will convene the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, the Proposed Share Premium Cancellation and the proposed payment of Special Dividend. A notice convening the SGM will be held at Unit 1101, Delta House, 3 On Ying Street, Shatin, N.T. Hong Kong at 10:30 a.m. on Friday, 16 August 2024 is set out on pages SGM-1 to SGM-3 of this circular and form of proxy are also enclosed herein.

A proxy form for use at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Union Registrars Limited at 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 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to consider the Sale and Purchase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Company has appointed Octal Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

The Independent Board Committee, having considered the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder, and after taking into account the advice from the Independent Financial Adviser, considers that although the Disposal is not conducted in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Board (including the independent non-executive Directors but excluding the executive Directors who have abstained from voting on the relevant Board resolutions) considers that the Disposal is not conducted in the ordinary course of business of the Group and, after taking into account the reasons for and benefits of the Disposal set out above, are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors but excluding the executive Directors who have abstained from voting on the relevant Board resolutions) recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Board considers that the Proposed Share Premium Cancellation and the proposed payment of Special Dividend are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the resolutions to be proposed at the SGM to approve the Proposed Share Premium Cancellation and the proposed payment of Special Dividend.

The text of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 25 of this circular.

The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Sale and Purchase Agreement and the transactions contemplated thereunder is set out on pages 26 to 46 of this circular.

Completion of the Disposal is subject to the fulfillment of the conditions precedent as set out in the Sale and Purchase Agreement. Accordingly, the Disposal may or may not proceed.

Shareholders and potential investors of the Company should also note that the Proposed Share Premium Cancellation and the proposed payment of Special Dividend are conditional upon satisfaction of the conditions set out in this circular. Therefore, the Proposed Share Premium Cancellation and the proposed payment of Special Dividend may or may not proceed.

Shareholders and potential investors are reminded to exercise caution in dealing in the Shares and, if any doubt, are recommended to consult their professional advisers.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
HING LEE (HK) HOLDINGS LIMITED
Sung Kai Hing
Chairman

Hing Lee (HK) Holdings Limited
興利（香港）控股有限公司

(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability)
(Stock code: 396)

26 July 2024

To the Independent Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

We refer to the circular issued by the Company to the Shareholders and dated 26 July 2024 (the "**Circular**") of which this letter forms parts. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder details of which are set out in the letter from the Board in the Circular. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to their advice which is on pages 26 to 46 of the Circular.

RECOMMENDATION

Having considered the principal factors and reasons stated in the letter from the Independent Financial Adviser, we are of the opinion that although the entering into the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Your faithfully,
For and on behalf of the Independent Board Committee of

HING LEE (HK) HOLDINGS LIMITED

Mr. Kong Hing Ki **Mr. Feng Jianzhong** **Ms. Leung Yuen Man**

Independent non-executive Directors

The following is the full text of a letter of advice from Octal Capital Limited to the Independent Board Committee in respect of the terms of Sale and Purchase Agreement which has been prepared for the purpose of incorporation in the Circular.

八方金融有限公司
OCTAL Capital Limited

801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

26 July 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Group to the Shareholders dated 26 July 2024 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the announcement of the Company dated 13 June 2024 in relation to the Disposal. The Board announced that on 13 June 2024 (after trading hours), the Vendor and the Purchasers entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, the Sale Interests, representing the entire issued share capital of the Target Company, at the Consideration of HK$62.0 million, subject to the terms and conditions of the Sale and Purchase Agreement. Upon Completion, the Company will not hold any interest in the Target Company, and each member of the Target Group will cease to be a subsidiary of the Company.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kong Hing Ki, Mr. Feng Jianzhong and Ms. Leung Yuen Man, has been formed to advise the Independent Shareholders on whether the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Octal Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we are not connected with the Group and the Purchasers, or where applicable, any of their respective substantial shareholders, directors or chief executives, or any of their respective subsidiaries or associates pursuant to Rule 13.84 of the Listing Rules. During the last two years, there has been no other engagement entered into between the Company and us. We are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Sale and Purchase Agreement.

Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company, the Group or the Purchasers or any of their respective subsidiaries or associates that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on (i) the Company's annual reports for the two years ended 31 December 2023 (the "**2022 Annual Report**" and "**2023 Annual Report**", respectively); (ii) the Sale and Purchase Agreement; (iii) the announcement of the Company dated 13 June 2024; (iv) the Valuation Report of the Target Properties issued by the Independent Valuer; (v) the information and facts contained in or referred to the Circular; (vi) the information supplied by the Group; (vii) the opinions expressed by and the representations of the professional parties engaged by the Group; and (viii) our review of the relevant public information. We have also relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and the management of the Group regarding the Disposal, the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Group in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to either suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Group. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Disposal, we have considered the following principal factors and reasons:

1. Background information of the Group

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses and licensing of its own brands and product designs (the "**Furniture Business**"), provision of promotional services relating to layout design, fitting and display of products (the "**Promotion Business**"). Over 85% of the Group's total revenue in the past three years was generated from the United States, Japan, the Middle East, the Southeast Asia and Europe.

Set out below is a summary of the consolidated financial information of the Group for the year ended 31 December 2021 ("**FY2021**"), the year ended 31 December 2022 ("**FY2022**") and the year ended 31 December 2023 ("**FY2023**") as extracted from the 2022 Annual Report and the 2023 Annual Report, respectively.

Consolidated financial results of the Group

	FY2021 *HK$'000* *(audited)*	**FY2022** *HK$'000* *(audited)*	**FY2023** *HK$'000* *(audited)*
Revenue			
– Furniture Business	162,427	88,775	83,109
– Promotion Business	12,583	11,612	11,104
Total Revenue	175,010	100,387	94,213
Gross profit	24,079	24,297	22,405
Gross profit margin	13.8%	24.2%	23.8%
Finance cost	(5,941)	(5,283)	(4,390)
Loss for the year	(5,519)	(26,796)	(11,456)

FY2021 vs FY2022

The Group recorded total revenue of approximately HK$175.0 million and approximately HK$100.4 million for FY2021 and FY2022 respectively, representing a decrease of approximately 42.6%. The revenue from Furniture Business decreased from approximately HK$162.4 million for FY2021 to approximately HK$88.8 million for FY2022, representing a decrease of approximately 45.3%. The decrease in the Group's revenue from the Furniture Business was mainly due to (i) the implementation of COVID-19 preventive measures in the PRC disrupted the supply chain and logistics, leading to delays in product shipments and cancelled orders from the customers; (ii) the trade tensions between the PRC and the United States; and (iii) the depreciation of Japanese Yen further reduced the demand of the Japanese customers for the Group's furniture. The Group engaged in the Promotion Business only through the PRC Company of which the revenue from the Promotion Business slightly decreased from approximately HK$12.6 million for FY2021 to approximately HK$11.6 million for FY2022. The decrease was mainly due to the unfavorable market conditions leading to the decrease in the demand for the Group's services.

The Group introduced new upholstered furniture with higher selling prices during FY2022. As a result, the gross profit of the Group remained at a similar level of approximately HK$24.1 million and HK$24.3 million for FY2021 and FY2022, respectively. The Group recorded net loss of approximately HK$26.8 million for FY2022, representing an increase of approximately HK$21.3 million or approximately 385.5% as compared to that for FY2021. The increase in loss for the year was mainly due to (i) the recognition of impairment of approximately HK$14.9 million against the leasehold improvement of the Target Properties and several vacant office equipment and machinery; (ii) the foreign exchange loss of approximately HK$5.3 million; and (iii) the provision of expected credit loss on trade receivables of approximately HK$5.5 million.

FY2022 vs FY2023

The Group recorded total revenue of approximately HK$94.2 million for FY2023 representing a slight decrease of approximately HK$6.2 million or 6.2% as compared to that for FY2022. The decrease in total revenue was mainly due to the decline in revenue from the Furniture Business. The Furniture Business was affected by the ongoing depreciation of currencies and purchasing power of the Japanese and European customers, hence the demand of the Group's furniture products reduced. The revenue from the Promotion Business for FY2023 remained at a similar level as compared to FY2022.

The gross profit of the Group slightly decreased from approximately HK$24.3 million for FY2022 to approximately HK$22.4 million for FY2023, representing a decrease of approximately 7.8%. The decrease in gross profit was mainly due to the clearance of certain obsoleted inventories of the Group. The Group recorded net loss of approximately HK$11.5 million for FY2023, representing a decrease of approximately HK$15.3 million or approximately 57.2% as compared to that for FY2022. The decrease in loss for the year was mainly due to (i) the decrease in impairment made against the property, plant and equipment and right-of-use asset of approximately $12.5 million; (ii) the decrease in foreign exchange loss of approximately HK$3.8 million; and (iii) the decrease in provision of expected credit loss on trade receivables of approximately HK$3.5 million.

Major items of the consolidated financial position of the Group as at 31 December 2023 extracted from 2023 Annual Report are summarised in the following table.

	As at 31 December 2023 *(Audited)* *HK$'000*
Non-current assets	
Property, plant and equipment	75,448
Right-of-use assets	22,127
	97,575
Current assets	
Trade and other receivables	47,086
Other current assets	37,609
	84,695
Total Assets	**182,270**
Current liabilities	
Bank loans	53,828
Other current liabilities	18,792
	72,620
Net current assets	**12,075**
Non-current liabilities	**2,477**
Total Liabilities	**75,097**
Net Assets	**107,173**
Gearing ratio[Note]	29.5%

Note: The gearing ratio is calculated based on bank loans divided by total assets.

As at 31 December 2023, the Group's property, plant and equipment amounted to approximately HK$75.4 million, of which approximately HK$73.5 million was attributable to the Target Group. The bank loans of the Group were approximately HK$53.8 million as at 31 December 2023 which was wholly attributable to the Target Group. The Group recorded net assets of approximately HK$107.2 million as at 31 December 2023. The gearing ratio of the Group was approximately 29.5% as at 31 December 2023.

2. Background information of Target Group

The Target Group consists of the Target Company, Hanmix Limited and the PRC Company. The Target Company and Hanmix Limited are investment holding companies. The PRC Company is the operating arm of the Target Group.

The major assets of the PRC Company is the Target Properties located at Lot No. G14309-0285, Kengzi Town Industrial Zone, Longgang District, Shenzhen City, Guangdong Province, the PRC which comprises (i) a parcel of land having a site area of approximately 43,817 sq. m.; (ii) a single storey workshop with a gross floor area of approximately 3,050 sq. m.; (iii) a three storey workshop with a gross floor area of approximately 30,173 sq. m.; (iv) a single storey warehouse with a gross floor area of approximately 109 sq. m.; and (v) an eight storey dormitory with a gross floor area of approximately 8,886 sq. m. Prior to the year ended 31 December 2019, the Target Properties used to be the production base of wood-based furniture and showroom of the Group's furniture products. However, the Group ceased the wood-based furniture production in the Target Properties during the year ended 31 December 2019. From April 2020, the Group introduced the Promotion Business through the PRC Company which including layout design, fitting and display of products at certain part of the Target Properties. The scale of the Promotion Business has remained at a small level and accounted for less than 12% of the Group's total revenue for the three years ended 31 December 2023. Following the expiry of the business contract in March 2024, the Promotion Business has ceased. The PRC Company has also been engaging in the sale of home furniture products to customers located in South East Asia (the "**SE Asia Furniture Business**"). The existing customers of the PRC Company has shifted to other subsidiaries of the Remaining Group and the SE Asia Furniture Business continues its operation. As such, the Disposal will not cause any adverse effect on the SE Asia Furniture Business.

As advised by the management of the Company, certain promotional products and equipment, which belong to a third party in connection with the Promotion Business and still occupied certain area of the Target Properties as at the Latest Practicable Date, have been seized by the local court (the "**Incident**"). The court seizure order is made against the owner of the products and equipment who is in financial difficulties. As advised by the PRC legal adviser of the Company, these products and equipment are not allowed to be removed from the site without the approval or authorization from the court. Thus, certain areas of the Target Properties are currently unavailable for other usage. The remaining area of the Target Properties is now vacant, except a small area is still being occupied by the Group for office purpose. After considering the legal opinion provided by the Company's PRC legal adviser, the management of the Company has confirmed that the Disposal will not be affected by the Incident.

Set out below is a summary of the unaudited consolidated financial information of the Target Group for the three years ended 31 December 2021, 2022 and 2023 and for the four months ended 30 April 2023 ("**4M2023**") and 2024 ("**4M2024**") (the "**Review Period**"):

	FY2021	**FY2022**	**FY2023**	**4M2023**	**4M2024**
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue from:					
– Promotion Business	12,583	11,612	11,104	4,550	2,737
– SE Asia Furniture Business	26,082	15,452	16,314	3,090	4,081
	38,665	27,064	27,418	7,640	6,818
Finance cost	(5,008)	(4,655)	(3,898)	(1,608)	(979)
(Loss)/Profit for the year/period	(7,811)	(18,754)	(6,995)	109	(440)

The revenue of the Target Group amounted to approximately HK$27.1 million for FY2022, representing a decrease of approximately HK$11.6 million as compared to FY2021. The decrease was mainly attributable to the decrease in revenue from the SE Asia Furniture Business. The depreciation of the local currencies of the overseas customers, who settled the transaction amount in US dollar, resulted in higher cost for procuring the Target Group's products, thereby they have reduced the procurement scale of the Target Group's products. The net loss for the year of the Target Group amounted to approximately HK$18.8 million for FY2022, representing an increase of approximately HK$11.0 million as compared to FY2021. The increase was mainly due to the recognition of impairment losses on the property, plant and equipment of the PRC Company for FY2022.

The revenue of the Target Group for FY2023 remained at a similar level compared to FY2022, amounted to approximately HK$27.4 million. The net loss of the Target Group amounted to approximately HK$7.0 million for FY2023, representing a decrease of approximately HK$11.8 million as compared to FY2022. The decrease was mainly due to the reduction of impairment losses on the property, plant and equipment for FY2023.

The revenue of the Target Group for 4M2024 decreased to approximately HK$6.8 million, representing a decrease of approximately HK$0.8 million as compared to 4M2023. The decrease was mainly due to suspension of the Promotion Business after the business contract ended in March 2024. The Target Group recorded net loss amounted to approximately HK$0.4 million for 4M2024, while the Target Group recorded net profit amounted to approximately HK$0.1 million for 4M2023.

	As at 31 December			As at 30 April
	2021	**2022**	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Property, plant and equipment	107,073	79,567	73,545	72,758
Right-of-use assets	20,208	17,975	16,762	16,557
Non-current assets	**127,281**	**97,542**	**90,307**	**89,315**
Trade and other receivables	47,414	41,281	20,053	25,397
Other current assets	11,330	6,282	9,984	14,338
Current assets	**58,744**	**47,563**	**30,037**	**39,735**
Total Assets	**186,025**	**145,105**	**120,344**	**129,050**
Bank loans	81,776	70,886	53,828	55,704
Amount due to the Remaining Group	55,239	32,505	38,766	–
Other current liabilities	10,268	12,505	5,465	14,366
Current liabilities	**147,283**	**115,896**	**98,059**	**70,070**
Net current liabilities	**(88,539)**	**(68,333)**	**(68,022)**	**(30,335)**
Net Assets	**38,742**	**29,209**	**22,285**	**58,980**
Gearing ratio[Note]	44.0%	48.9%	44.7%	43.2%

Note: The gearing ratio is calculated based on bank loans divided by total assets.

The assets of Target Group mainly include the Target Properties which is recorded in the property, plant and equipment and right-of-use assets. The liabilities of Target Group mainly include bank loans and amount due to the Remaining Group.

The property, plant and equipment of the Target Group decreased from approximately HK$107.1 million as at 31 December 2021 to approximately HK$79.6 million as at 31 December 2022 was mainly due to the impairment made against the leasehold improvements of the Target Properties and the vacant office equipment and machinery and further decreased to approximately HK$73.5 million as at 31 December 2023 due to the impairment made against the building elements of the Target Properties. As at 30 April 2024, the net carrying amount of the building elements and the land use rights of the Target Properties was approximately HK$69.9 million and HK$16.6 million, respectively.

The bank loans of the Target Group exhibited a continuous decrease during the Review Period as a result of adhering to the repayment schedule for loan repayments. The bank loans as at 30 April 2024 amounted to approximately HK$55.7 million. As at the Latest Practicable Date, the bank loans were secured by pledge of the Target Properties, personal guarantee provided by Mr. Chan and Mr. Huang and the Existing Corporate Guarantee. Upon Completion, the Company would have been released from and discharged of all its obligations and liabilities under the Existing Corporate Guarantee and the Second Facility Agreement by the Bank.

As at 30 April 2024, the Target Group recorded net assets of approximately HK$59.0 million. As disclosed in the Letter from the Board, the Target Group has completed the inter-company balance capitalisation in April 2024, reducing the total liabilities of the Target Group by approximately HK$37.1 million as at 30 April 2024.

3. Reasons for and benefits of the Disposal and intended use of proceeds

Prior to the year ended 31 December 2019, the Target Properties served as production bases for manufacturing wood-based furniture and showrooms for the Group's furniture products. However, due to the outbreak of the coronavirus disease in the PRC, the utilisation of production capacity in the PRC Company decreased as some sales orders and furniture-related projects were cancelled. Moreover, there were material change in the promotion and marketing channel of the Group in which the customers changed to view the furniture products using online platforms or video conferencing with virtual graphics display for furniture viewing and selection, and thus there was a significant reduction in the physical usage of showroom. Considering the changing operating environment and aiming to reduce operating and maintenance costs, the Group suspended all production activities at the Target Properties and outsourced the production of wood-based furniture to independent manufacturers in the PRC.

Subsequent to April 2020, the PRC Company commenced the Promotion Business which generated revenue of approximately HK$12.6 million, HK$11.6 million and HK$11.1 million for FY2021, FY2022 and FY2023, respectively. The Promotion Business has been suspended after March 2024 as the service agreement with the only customer has been expired. Certain area in the single storey workshop and three-storey workshop of the Target Properties has been used for showroom and storage purposes by the customer. In addition, the Incident occurred in the second half of 2023 and all the products and equipment of the third party placed in the Target Properties were seized by the local court of the PRC. Due to the Incident, certain portions of the Target Properties are currently restricted for use and the PRC Company is still awaiting further instructions from the local court. As advised the management of the Company, it remains uncertain as to until when such products and equipment of the third party could be released from seizure and vacant the Target Properties.

As disclosed in the Letter from the Board, the Company had difficulties to find potential buyers to acquire the Target Group and/or Target Properties. The Company has approached independent third parties to seek their interests in buying the PRC Company which in turn holds the Target Properties, however, no interested buyer could be secured so far due to the reasons that (i) the Target Group have incurred a high level of liabilities in terms of the bank loans; (ii) the use of the Target Properties is restricted due to the Incident; and (iii) there are many similar properties (without restriction of usage) available for sale in the market. We have performed a search through the search engines (namely Google and Baidu) and are unable to find any information in relation to the completed sales and purchases transactions of industrial properties in Pingshan District. We have further conducted a search on the PRC property website (https://sz.58.com/house.shtml) for the industrial properties in Pingshan District which are listed for sale (the "**Properties Research**"), and noted that there are industrial properties which comprise of workshop, warehouse and dormitory listed on the website asking for sale. We have also enquired the property agents and were advised that properties listed on the website are freely transferable without any restrictions and the property transactions with transferability restrictions is limited in the market and would be difficult to approach potential buyers who are willing to acquire properties through equity transfer. As such, we concur with the Directors that the Target Group holding the Target Properties was more difficult to dispose to independent third parties and the Disposal to the Purchasers is the most immediate option for the Company to realise the idle Target Properties for cash under the prevailing market circumstances.

Regarding the SE Asia Furniture Business, as advised by the Company, the Group has informed the customers of SE Asia Furniture Business that all future purchase orders should be placed to other subsidiaries of the Remaining Group from 1 June 2024 and thus the Disposal will not disrupt the operation of SE Asia Furniture Business. The SE Asia Furniture Business of the Target Group generated revenue of HK$16.3 million for the year ended 31 December 2023, representing approximately 17.3% of the Group's total revenue for that year. As advised by the management of the Company, the Disposal will have no material effect to the Furniture Business.

In view of the suspension of the Promotion Business and the SE Asia Furniture Business has been transferred to other subsidiaries of the Remaining Group, the Disposal presents a favorable opportunity to monetise an idle asset and generate return and cashflow to the Group. With reference to the 2023 Annual Report, we noted that the Group generated net cash inflow from operating activities of HK$15.9 million, representing sufficient working capital to maintain its normal operation, and recorded cash and cash equivalents of approximately HK$33.5 million as at 31 December 2023. Moreover, the Remaining Group has no plan to obtain new borrowings and no material capital commitment. Having considered that the Group has no cash flow pressure, the proposed declaration of the Special Dividend is to recognise the unwavering support of the Shareholders and provide the Shareholders with an immediate cash benefit from the outcome of the Disposal. We concur with the Board that the net proceed from the Disposal is sufficient for distribution of Special Dividend.

As of 31 December 2023, the Group recorded bank loans of approximately HK$53.8 million, which is entirely attributable to the Target Group. The interest expenses for FY2023 amounted to approximately HK$3.9 million. Upon Completion, the Remaining Group will no longer have bank borrowings or loans, leading to a material improvement in the gearing level and a reduction in interest burdens for the Remaining Group. The gearing level of the Group will be reduced from approximately 29.5% as at 31 December 2023 to zero after the Completion.

As discussed in the Letter from the Board, the Group is operating a leased factory in Pingshan District, for the production of sofa while the production of other furniture have been outsourced to five long-cooperated independent furniture manufacturers in Guangdong Province since 2020. The Group has employed approximately 130 staff engaging in the furniture business including 10 staff who are responsible for export sales and marketing. The Company shifted the SE Asia Furniture Business to other subsidiaries of the Remaining Group in June 2024 and continued its furniture business. The Remaining Group will continue to offer one-stop furniture manufacturing services which cover the whole process of manufacturing, sales and marketing of home furniture products including designing the style and structure of furniture, sample-making, procuring and inspecting quality of raw materials, arranging production of furniture, performing quality examination on final products and arranging logistics services to deliver the final products to the customers' destination worldwide. Following the Completion, the Remaining Group will continue to explore cooperation opportunities with different customers in the PRC while continuously expanding business with overseas customers, especially in the United States, the Middle East and Japan, and the latter has shown positive growth up to the Latest Practicable Date. The Remaining Group will put more effort in research, development and promoting new products and closely monitor the on-going market trend and customers' preference to improve the design and quality of the home furniture products. Taking into account the above, we concur with the Directors that there is no negative impact to the Furniture Business caused by the Disposal.

Based on above, in particular, (i) the proceed from the Disposal will be primarily used for the proposed payment of the Special Dividend to recognise the Shareholders' long-term support; (ii) the Target Properties have no longer been used as the Group's production base since 2020; (iii) the Incident restricted the use of certain areas in the Target Properties which hinders the Group from disposal to other third parties; (iv) the Remaining Group will no longer incur any bank borrowings and finance cost burden is substantially reduced after the Completion; and (v) there is no negative impact to the Furniture Business after the Completion, we consider that the Disposal is commercially justifiable.

4. Principal terms of the Sale and Purchase Agreement

Set out below is a summary of the principal terms of the Sale and Purchase Agreement:

Date

13 June 2024 (after trading hours)

Parties

(i) Great Ample Holdings Limited, as the Vendor; and

(ii) Mr. Sung, Mr. Cheung, Mr. Chan and Mr. Huang, as the Purchasers.

Subject Matter

The Vendor conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, the Sale Shares in the Target Company. The Sale Shares represent 100% of the equity interest in the Target Company.

Consideration and settlement

The Consideration for the Disposal is HK$62.0 million and shall be paid in cash by the Purchasers to the Vendor on the date of the Completion in Hong Kong Dollars, Renminbi or US dollars at a fixed exchange rate of HK$1.00 to RMB0.927 or HK$7.80 to US$1.00.

The Disposal is not conditional upon the Proposed Share Premium Cancellation or the proposed payment of the Special Dividend.

For details of the Sale and Purchase Agreement, please refer to the Letter from the Board.

5. Basis of the Consideration

The Consideration was determined with reference to, among other things, (i) the value of the Target Properties conducted by Independent Valuer in accordance with International Valuation Standards (the "**IVS**") for information purpose, of which the value of land element of the Target Properties was nil and the depreciated replacement cost of the building elements of the Target Properties was RMB61.2 million (equivalent to approximately HK$67.4 million) as at 31 May 2024, as referred to in Appendix IV to the Circular; (ii) the unaudited consolidated net asset value of the Target Group of approximately HK$59.0 million as at 30 April 2024 (including the net book value of the land use rights of the Target Properties of approximately HK$16.6 million, the net book value of the building elements of the Target Properties of approximately HK$69.9 million, the bank loans of the Target Group of HK$55.7 million as at 30 April 2024); and (iii) the factors as discussed in the section headed "3. Reasons for and benefits of the Disposal and intended use of proceeds" above.

In view of the transferability restrictions of the Target Properties, the Disposal will be conducted by transferring the equity interest in the Target Company as a whole, rather than transferring the Target Properties alone. We noted that it is not uncommon to dispose a property through equity transfer. We, on best effort basis, have conducted a search on the website of the Stock Exchange (https://www.hkexnews.hk) but have not been able to identified any transaction in relation to acquisition or disposal of industrial properties in Guangdong Province with restrictions on transferability and leasing similar to that of the Target Properties through equity transfer for the period from 1 July 2023 to 30 June 2024. Furthermore, according to the legal opinion issued by the PRC legal adviser of the Company, since the transfer of equity interests of the Target Company would not change the ownership of the land use rights which would still be held by the PRC Company upon the Completion, the transfer of the Target Group would not violate the transferability restriction of the land use rights. Hence, we consider that the disposal of Target Properties through equity transfer is reasonable.

As referred to in Appendix IV to the Circular, the Independent Valuer assigned no commercial value to the Target Properties due to its non-transferability in nature. For information purpose, the Independent Valuer has indicated in Appendix IV to the Circular that the aggregate value of the Target Properties as at the Valuation Date was RMB61.2 million (i.e. the value of the land element was nil and the depreciated replacement cost of the building elements was RMB61.2 million). The unaudited consolidated net asset value of the Target Group after adjusted with the said value is illustrated below:

	HK$ million
Unaudited consolidated net assets value of Target Group as at 30 April 2024	59.0
Add:	
Depreciated replacement cost of the building elements of the Target Properties as disclosed in Appendix IV to the Circular *Note 1*	67.4
Less:	
Net carrying amount of the building elements of the Target Properties as at 30 April 2024	(69.9)
Valuation deficit	(2.5)
Adjusted net asset value of Target Group as at 30 April 2024 (the "**Adjusted NAV**")	56.5
Consideration	62.0
Premium of the Consideration over the Adjusted NAV	5.5
Premium of the Consideration over the Adjusted NAV (in %)	9.73%

Note:

1. Being RMB61.2 million translated at the exchange rate of HK$1 to RMB0.9077 for illustration purpose.

2. As disclosed in Appendix IV to the Circular, the value of the land element of the Target Properties was nil.

The basis of the Consideration has taken into account the Adjusted NAV which comprise of all assets (including the land use rights and building elements of the Target Properties, the inventories, trade and other receivables and cash and cash equivalents) and all liabilities (including trade and other payable and bank loans) of the Target Group as at 30 April 2024.

From the above calculations, the Consideration of HK$62.0 million implies a considerable premium of approximately HK$5.5 million or 9.73% over the Adjusted NAV as at 30 April 2024.

Even if we only consider the Target Properties at their net book value, the Consideration represents a premium of approximately HK$3.0 million or 5.08% over the unaudited consolidated net assets value of Target Group as at 30 April 2024.

Valuation Report

Having considered that (i) the Target Properties are the major assets held by the Target Group which accounted for approximately 67.0% of its total assets as at 30 April 2024, while the remaining mainly consist of office equipment, inventories, trade and other receivables and cash which have been accounted for in the Adjusted NAV for the determination of the Consideration; (ii) the Target Group have been loss-making for the last three years; (iii) the Target Group has suspended the Promotion Business after the business contract ended in March 2024; (iv) the SE Asia Furniture Business has been transferred to the Remaining Group; and (v) the Target Group are assets holding companies and will not be engaging in any business upon the Completion, we concur with the Board that conducting a property valuation can reflect the status of the Target Group, being purely holding the Target Properties upon the Completion.

In order to assess the valuation as indicated in the Appendix IV to the Circular (the "**Valuation**"), we have performed the works with reference to Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included (i) assessment of the Independent Valuer's experiences in assessing assets similar to the Target Properties; (ii) obtaining information on the Independent Valuer's track records on other valuation projects; (iii) inquiry on the Independent Valuer's current and prior relationship with the Group and other parties to the Sale and Purchase Agreement; (iv) review of the terms of the Independent Valuer's engagement, in particular its scope of work, for the assessment of the valuation of the Target Properties; and (v) discussion with the Independent Valuer regarding the bases, methodology and assumptions adopted in the Valuation Report.

Competence of the Independent Valuer

In our due diligence process, we have conducted telephone interview with the Independent Valuer to enquire its experience in valuing similar assets. We noted that the Independent Valuer is a firm of professional surveyors and international valuation consultants. The Independent Valuer started its operation in Hong Kong in 1994 as a professional asset advisory and valuation consultant to multi-national enterprises and listed companies with principal businesses in the PRC and Asia-Pacific regions. The team of the Independent Valuer has obtained professional qualifications from various international valuation professional organisations, such as The Hong Kong Institute of Surveyors ("**HKIS**") and Royal Institution of Chartered Surveyors. During the past three years, the Independent Valuer has engaged in approximately 100 property valuations for the companies listed on the Stock Exchange. In addition, we understand that the signor of the Valuation Report, namely Sr. Joseph Junior Ho, is a Fellow of The HKIS. He has been conducting valuation of various assets including real properties in Hong Kong, Macau, Taiwan, the PRC, Canada, the United Kingdom, France, Singapore, Guyana, Samoa, Argentina and Vietnam since 2010. As such, we are of the view that the Independent Valuer is qualified, experienced and competent in performing the valuation of the Target Properties.

We have enquired and confirmed with the Independent Valuer as to its independence from the Company, the Purchasers, and their associates. The Independent Valuer confirmed to us that it was not aware of any relationship or interest between itself and the Company, the Purchasers, or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. Apart from normal professional fees payable to it in connection with its engagement for the Valuation, the Independent Valuer confirmed that no arrangements exist whereby it will receive any fee or benefit from the Company and its associates. Given the above, we are of the view that the Independent Valuer is independent from the Company in respect of the Valuation.

Furthermore, we have reviewed the terms of engagement of the Independent Valuer, in particular to its scope of work. We noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer in the Valuation Report. We have also performed work as required under Note (1)(d) to the Listing Rules 13.80 in relation to the Independent Valuer and its work in relation to the Valuation.

Methodologies and assumptions adopted in the Valuation

As stated in the Valuation Report, the Valuation is conducted in compliance with the IVS. Based on our discussion with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions used in arriving at the Valuation. We understand that Sr. Joseph Junior Ho of the Independent Valuer carried out physical inspection of the Target Properties on 10 May 2024. The Independent Valuer advised that apart from the Incident, they are not aware of any unusual circumstances during their inspection. The Independent Valuer also made relevant enquiries and searches for the purpose of the Valuation, including but not limited to review on relevant land certificates, legal documents and contact for the grant of state-owned land use rights, searches on the public data adopted in the depreciated replacement cost method under the cost approach.

We have reviewed and discussed with the Independent Valuer the basis adopted in arriving at the value of the Target Properties and noted that the Independent Valuer provided their opinion of value of the Target Properties on the market value basis.

As referred to in Appendix IV to the Circular, the Independent Valuer has assigned no commercial value to the Target Properties due to its transferability restrictions, and reported a value to the Target Properties for information purpose on a non-market value basis.

Methodologies

In assessing the value of the Target Properties, the Independent Valuer has considered the three generally accepted approaches, namely the sales comparison approach (or known as the market approach), the cost approach and the income approach.

As advised by the Independent Valuer, the preconditions for the adoption of the market approach are a developed, fair and active open market with sufficient market information and the availability of comparable transactions in the open market. As the land use rights of the Target Properties are not allowed to be transferred or leased pursuant to the relevant Realty Title Certificates, there are no such comparable transactions in the open market. According to the legal opinion from the PRC legal adviser of the Company, the local government has designated the area where the Target Properties located as an industrial park for furniture business. Unless the local government changes the land usage in that area, it is impossible for the land owner to apply for (i) changing the land usage from industrial purpose to commercial and/or residential usages; or (ii) removing the transferability or leasing restrictions. According to our search in relation to the future development of Pingshan District (including http://www.sz.gov.cn/), there is no notice published in relation to changing land usage or implementing new land development in Pingshan District. The management of the Company confirmed that they did not receive any notice from the local government in this regard. Further, we have conducted a research for land transactions in Pingshan District completed during the period from 1 June 2023 to 31 May 2024 (the "**Review Period**"), being a year prior to the valuation date of the Target Properties. We, on the best effort basis, searched through the search engine (i.e. Google and Baidu), but could only identify information for completed land transactions in Pingshan District from Shenzhen Public Resources Trading Center (https://new.szggzy.com/static/index.html), a public platform owned by a state-owned enterprise under State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government that collect and disclose various types of assets and resource transactions, for the Review Period and noted that there are six industrial land transactions during the Review Period (the "**Land Transactions Research**") that have completed the bidding process, represents an exhaustive list. Based on the Land Transactions Research, we noted that (i) the lands were sold by the local government through bidding; (ii) each transaction has its own requirements for application of the bidding (e.g. potential purchasers with national high-tech enterprise certification, engage in specified industry and specified construction development); and (iii) none of the Land Transactions Research are for furniture business or manufacturing business and with restriction in transferability similar to the Target Properties. Further, we discussed with the Independent Valuer and understood that these transactions are not directly comparable to the land use rights of the Target Properties due to different characteristics such as target market and industry. Given that each piece of land is unique and different requirements were set and sold by the local government, we consider that the Land Transactions Research are not comparable to the condition of the land use rights of the Target Properties. As aforesaid, we have conducted the Properties Research and were advised by the property agents that all of their industrial properties transactions listed in their websites are freely transferable, thus we consider that the Properties Research cannot directly compare to the building elements of the Target Properties. Therefore, we concur with the Independent Valuer that the market approach is not an appropriate methodology for assessing the value of the Target Properties.

The income approach refers to a valuation approach that determines the value of the appraisal subject through discounting expected income and expenses in a future period. As mentioned before, the Target Properties are not allowed to be leased, thus no rental income will be generated from the Target Properties, which has also been reflected in the audited consolidated financial information of the Target Group for the three years ended 31 December 2023. Thus, the income approach is not an appropriate methodology for assessing the value of the Target Properties.

The cost approach was taken to be the principal methodology for assessing the value of the Target Properties. The Independent Valuer advised that the depreciated replacement cost method is the most appropriate method when it is impracticable to identify the market value. The underlying theory of depreciated replacement cost method is the property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property. It considers the current cost required to construct the same properties from a new green field site, representing the cost for the PRC Company to acquire the Target Properties with the same condition as at the valuation date. For the buildings elements of the Target Properties, the gross replacement cost of the buildings elements of the Target Properties should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are at the valuation date, and the buildings are fit for and capable of being occupied. The Independent Valuer confirmed that depreciated replacement cost method is a widely accepted and suitable method for assessing the value of the buildings elements of the Target Properties and is in line with the market practice. However, the depreciated replacement cost method is not appropriate to determine the value of the land element of the Target Properties, because every piece of land is unique. We therefore concur with the Independent Valuer that it would be challenging to find a replacement site with the same features and characteristics as the land use rights of the Target Properties, which contributes to the service potential of the building elements (the improvements) within their specific locality to be a representative comparable to build up the cost.

Given that (i) the Target Properties have not generated any rental income due to the leasing restriction; (ii) there is lack of publicly available transaction data in relation to sale and purchase of properties with transferability restrictions which is comparable to the Target Properties; (iii) there are no replacement land with the similar features as the land use rights of the Target Properties; and (iv) the local government has no plan to change the land usage nor remove the transferability restrictions under the Realty Title Certificates, we concur with the Independent Valuer that the depreciated replacement cost method is not appropriate to determine the value of the land element of the Target Properties and the depreciated replacement cost method is the most appropriate method in assessing the value of the building elements of the Target Properties.

Although market approach could normally be adopted by valuer in assessing the market value of the land use rights and income approach is another approach in assessing the market value of the buildings, after considered (i) the transferability restrictions; and (ii) the transactions as in the Land Transactions Research and Properties Research are not comparable to the Target Properties, we concur with the Independent Valuer that both market approach and income approach are not appropriate for the Valuation. Thus, there are no alternative methodologies for the cross-checking of the Independent Valuer's assessment. Based on the limitation of each of the methodology discussed above, we consider that the rationale behind the different valuation approaches is complete and reasonable.

The Independent Valuer have assumed that the conditions of the covered pipe works and building facilities as well as underground water are maintained in normal condition, we have conducted our own site visit at the Target Properties and have not observed any material structural damages to the Target Properties.

Valuation Inputs

To assess the fairness and reasonableness of the key valuation inputs used by the Independent Valuer for the depreciated replacement cost method, we have obtained and reviewed the calculation breakdown for the Valuation provided by the Independent Valuer. We noted that the Independent Valuer has taken into account various factors including, among others, (i) the gross floor area of the Target Properties; (ii) the construction costs per sq. m.; (iii) the remaining life; and (iv) the expected residual rate. We have discussed with the Independent Valuer regarding the major factors taken into consideration in arriving the building elements of Target Properties, and noted that these factors are commonly used parameters when assessing the value of a subject building by adopting depreciated replacement cost method under cost approach.

Estimated construction costs

We noted that the Independent Valuer has referred to the construction and installation project cost index (the "**CIP Cost Index**") in April 2024 published by the Housing and Construction Bureau of Shenzhen Municipality (https://zjj.sz.gov.cn/szzjxx/prcCostIndex/pc/index). We noted that the CIP Cost Index has been classified into six categories according to different type of building and structure, namely multi-storey residential buildings, high-rise residential buildings, multi-storey office buildings, high-rise office building, industrial buildings and public buildings. The Independent Valuer has adopted the CIP Cost Index of industrial buildings for the workshop and warehouse of the Target Properties and the CIP Cost Index of multi-storey residential buildings for the dormitory of the Target Properties. Considering the nature of the building elements of the Target Properties, we consider the categories of the CIP Cost Index adopted by the Independent Valuer is reasonable. The CIP Cost Index of industrial buildings and multi-storey residential buildings for April 2024 was 181.87 and 190.64 (representing 1.8187 times and 1.9064 time to the base value of the relevant categories), respectively. We have also checked to the base value of industrial buildings and multi-storey residential buildings (i.e. RMB1,175 per sq. m. for industrial buildings and RMB1,282 per sq. m. for multi-storey residential buildings) with no irregularities noted. We also recalculated the estimated construction costs per sq. m. by multiplying the CIP Cost Index with the base value of the relevant categories and the outcome of the estimated construction cost per sq. m. for industrial buildings and multi-storey residential buildings was approximately RMB2,140 and RMB2,440 respectively, which is same as those adopted by the Independent Valuer. As referred to Quarterly Construction Cost Review – China and Hong Kong (the "**Construction Cost Review**") (https://www.arcadis.com/en) published by Arcadis NV, a global design, engineering and management consulting company, the approximate building costs in Shenzhen for industrial unit ranged from RMB2,211 per sq. m. to RMB2,717 per sq. m during the first quarter of 2024. The estimated construction cost per sq. m. adopted by the Independent Valuer for the workshop and warehouse of the Target Properties using the CIP Cost Index are within the range of the Construction Cost Review. Taking into account that (i) the CIP Cost Index published by the local government represented the average construction cost in recent months; (ii) the categories of the CIP Cost Index are reasonably selected and the data of the CIP Cost Index has been adopted accurately; and (iii) the estimated construction cost per sq. m. adopted are within the range of the Construction Cost Review, we consider that the estimated construction cost per sq. m. adopted by the Independent Valuer is reasonable.

Remaining life

We noted that the buildings of the Target Properties are estimated with a useful life of 40 years. As advised by the Independent Valuer, the estimated useful life has been referred to Marshall & Swift Valuation Service which is a well-established cost manual for valuation of building and other structures (the "**Manual**") (https://www.boe.ca.gov/CountyPortal/Training/Uploads/Course%20002B/Class%20Materials/Marshall%20and%20Swift/Marshall%20&%20Swift.pdf). We have reviewed the Manual and noted that the average useful life for industrial building ranged from 35 years to 50 years with a median of 40 years. We have reviewed the Realty Title Certificates of the Target Properties and recalculated the remaining useful life of each building of the Target Properties. The construction of the single storey workshop, the single storey warehouse and the eight storey dormitory was completed on 27 November 2009, representing a remaining useful life of approximately 25.5 years, while the construction of the three storey workshop was completed on 16 July 2010, representing a remaining useful life of approximately 26.1 years. We referred to Common Valuation Methods and Parameters for Asset Valuations (資產評估常用方法與參數手冊) (the "**Method and Parameters Manual**") published by China Machine Press (機械工業出版社) in which the useful life of manufacturing building is in the range between 30 years to 70 years with an average of approximately 41 years. The remaining useful life adopted by the Independent Valuer is therefore within the range of the Method and Parameters Manual.

Residual rate

We noted that the Independent Valuer has adopted 2% for each building of the Target Properties with reference to the Manual. As advised by the Independent Valuer, the residual value represents the scrap value of the building upon its removal. We noted that the residual rate for commercial properties ranged from 1% to 3% and the Independent Valuer has adopted the median of 2%. We referred to the Methods and Parameters Manual in which the residual rate of manufacturing building is in the range between 0% to 6% years with an average of approximately 2.8%. The residual rate adopted by the Independent Valuer is therefore within the range of the Method and Parameters Manual.

Based on the above, we consider that the basis and assumptions adopted by the Independent Valuer for determining the value of the building elements of the Target Properties under the depreciated replacement cost method are reasonable.

Conclusion

Given that (i) the Target Properties represent the core and major assets of the Target Group; (ii) the independent valuation of the Target Properties is RMB61.2 million (equivalent to approximately HK$67.4 million) as referred to in Appendix IV to the Circular; and (iii) the Consideration of HK$62.0 million represents a premium of approximately 9.73% over the Adjusted NAV; and (iii) the Disposal does not affect the Furniture Business, we consider that the Consideration is fair and reasonable.

6. Possible financial effect of the Disposal

Upon Completion, the Company will cease to have any interest in the Target Group and the financial information of the Target Group will no longer be consolidated into the consolidated financial statements of the Group. The financial information below is based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular (the "**Pro Forma Financial Information**"). It should be noted that such analysis is for illustrative purposes only and does not purport to represent how the financial position of the Remaining Group will be upon the Completion.

Earnings

With reference to the Pro Forma Financial Information and assuming that the Disposal had taken place on 31 December 2023, the Remaining Group will realise a one-off gain on Disposal of approximately HK$11.1 million, which is determined based on the net proceeds from the Disposal, the net asset value of the Target Group and the release of exchange fluctuation reserve of the Target Group. The Remaining Group will have no bank borrowings and loans after the Completion, the finance cost of the Remaining Group will be substantially reduced.

Net asset value

The audited net asset value of the Company as at 31 December 2023 was approximately HK$107.2 million. Based on the Pro Forma Financial Information and assuming that the Disposal had taken place on 31 December 2023, the unaudited pro forma net asset value of the Company would be increased to approximately HK$108.5 million after the Disposal but before the proposed payment of Special Dividend.

Gearing ratio

The gearing ratio of the Group as at 31 December 2023, calculated as a percentage of bank loans to total assets, was approximately 29.5%. Based on the Pro Forma Financial Information, upon Completion, the Remaining Group would not have any bank loans.

OPINIONS AND RECOMMENDATION

Having considered the following principal factors and reasons, in particular,

(i) the Consideration represents a premium over the Adjusted NAV, which has considered all assets and liabilities of the Target Group although for information purpose, the value of the land element of the Target Properties conducted by Independent Valuer was nil as set out in Appendix IV to the Circular;

(ii) the Target Properties are for industrial use, non-transferable and non-leasable in nature and together with the Incident, which the Company found it difficult to approach potential buyers who are willing to acquire the Target Properties;

(iii) the Group suspended all production activities at the Target Properties since 2020;

(iv) the Remaining Group will continue its Furniture Business including the SE Asia Furniture Business, without materially and adversely affecting its overall business scale and the profitability;

(v) the Remaining Group will have no bank borrowing upon Completion; and

(vi) the net proceed from the Disposal could primarily be used for the settlement of the proposed declaration of the Special Dividend which enables the Shareholders to immediately realise substantial value from their shareholdings in the Company,

we are of the opinion that the entering into the Sale and Purchase Agreement and the transactions contemplated thereunder is not in the ordinary and usual course of business of the Group because of its "one-off" nature. Nevertheless, the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
Octal Capital Limited

Wong Wai Leung
Executive Director

Celina Yuen
Associate Director

Note: Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

Ms. Celina Yuen is a licensed person and a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Yuen has over 12 years of experience in corporate finance industry and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023, is disclosed on pages 41-102, 43-102 and 44-98, respectively, in the annual reports of the Company for the three years ended 31 December 2021, 2022 and 2023, which are published on both the websites of HKEXnews (www.hkexnews.hk) and the Company (www.hingleehk.com.hk).

(i) annual report of the Company for the year ended 31 December 2021 published on 14 April 2022, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0414/2022041400673.pdf

(ii) annual report of the Company for the year ended 31 December 2022 published on 17 April 2023, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0417/2023041700568.pdf

(iii) annual report of the Company for the year ended 31 December 2023 published on 16 April 2024, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0416/2024041600199.pdf

2. INDEBTEDNESS

As at the close of business on 31 May 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

	HK$'000
Bank loans – Current	55,298
Lease liabilities – Current	4,074
Lease liabilities – Non-current	554
	59,926

The bank loans were principally denominated in Renminbi. Except for the bank loans of HK$38,059,000 which were borrowed at floating rate, the remaining bank loans of HK$17,239,000 were borrowed at fixed interest rate.

As at the close of business on 31 May 2024, the Group's banking facilities were secured by:

(i) the pledge of buildings of the Group situated in the PRC;

(ii) the personal guarantee provided by Mr. Chan Kwok Kin and Mr. Huang Wei Ye who are both senior management of the Group; and

(iii) the corporate guarantees from the Company and the Target Company.

The Group has certain lease contracts for leased properties. As at 31 May 2024, the Group recognized aggregate lease liabilities of HK$4,628,000 under HKFRS 16 "Leases" in respect of non-cancellable operating lease contracts.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the normal course of business, as at the close of business on 31 May 2024, the Group did not have any debt securities authorized or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 31 May 2024, being the latest practicable date for determining the Group's indebtedness up to the Latest Practicable Date.

3. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the internal financial resources presently available to the Group, the estimated net proceeds from the Disposal, the proposed payment of the Special Dividend and the cash flows to be generated from the operating activities, and in the absence of any unforeseeable circumstances, the working capital available to the Remaining Group is sufficient for the Remaining Group's requirements for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group was made up.

5. VALUATION RECONCILIATION STATEMENT

The Company has engaged LCH (Asia-Pacific) Surveyors Limited, an independent professional valuer, to value the Target Properties and prepare the Valuation Report, the text of which is set out in Appendix IV to this circular.

The table below sets forth the reconciliation of the net book value of the building elements of the Target Properties as at 30 April 2024 as set out in Appendix II to this circular to the depreciated replacement cost of the building elements of the Target Properties as at 31 May 2024 as included in the Valuation Report in Appendix IV to this circular.

	HKD'000
Net book value of the building elements of the Target Properties as at 30 April 2024 as set out in Appendix II to this circular	69,857
Valuation deficit	(2,436)
Depreciated replacement cost of the building elements of the Target Properties as at 31 May 2024 as set out in Appendix IV to this circular.	67,421

6. FINANCIAL AND TRADING PROSPECT OF THE REMAINING GROUP

Business Prospects of the Remaining Group

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses, provision of promotional services relating to layout design, fitting and display of products and licensing of its own brands and product designs. The Group offers one-stop furniture manufacturing services which cover the whole process of manufacturing, sales and marketing of home furniture products including designing the style and structure of furniture, sample-making, procuring and inspecting quality of raw materials, arranging production of furniture, performing quality examination on final products and arranging logistics services to deliver the final products to the customers' destination worldwide. The Group is operating a leased factory which is located in Pingshan District, Shenzhen City, Guangdong Province, the PRC, for the production of sofa while the production of other furniture have been outsourced to five long-cooperated independent furniture manufacturers in Guangdong Province. The Group has employed approximately 130 staff engaging in the furniture business. The Group has a well-established international and domestic customer base with customers being located in Asia, Europe, United States and the PRC, of which a majority of the revenue of the furniture business was derived from overseas customers for the year ended 31 December 2023. The Group has been maintaining a wide range of customer base including furniture brand owners, furniture distributors and furniture retailers.

Following the Completion, the Remaining Group will continue with its furniture business. The management of the Group consider that the PRC real estate sector has been experiencing a significant downturn which has resulted in a decline in demand for the furniture products in the PRC. In view of the foregoing challenges in the PRC market, the Remaining Group is adjusting its business strategy to explore cooperation opportunity with different types of customers in the PRC. On the other hand, the Remaining Group will continue to focus on the business development with overseas customers and the expansion of its customer profile and sales in the overseas market especially in the Middle East and Japan markets. The Remaining Group has successfully increased its sales in Japan during 2024.

The Remaining Group will put more effort in research, development and promoting the new products by participating in trade fairs and will make frequent contact with customers of the Remaining Group to keep them updated on the Remaining Group's latest offerings and share the market trend information with the customers to assist them in making favourable procurement decisions. The management of the Remaining Group will closely monitor the on-going market trend and customers' preference in order to ensure the design and quality of the home furniture products are keeping abreast of the market.

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Upon completion of the Disposal, the Company will no longer hold any interest in the Target Group and each member of the Target Group will cease to be a subsidiary of the Company, and the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

In addition, upon completion of the Disposal, the Remaining Group will continue to carry out its furniture businesses and there will be no material change to the principal business of the Remaining Group.

On this basis, the management discussion and analysis on the Remaining Group for the years ended 31 December 2021 ("**FY2021**"), 31 December 2022 ("**FY2022**") and 31 December 2023 ("**FY2023**") are set out below.

The principal business activities of the Remaining Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa, mattresses and licensing of its own brands and product designs (the "**Furniture Business**").

A summary of the revenue and operating results of the Furniture Business of the Remaining Group for the years ended 31 December 2021, 2022 and 2023 is as follows:

	Furniture Business *HK$'000*
For the year ended 31 December 2021	
Revenue	136,345
Segment gross profit	13,395
Segment gross margin	9.8%
For the year ended 31 December 2022	
Revenue	73,323
Segment gross profit	12,929
Segment gross margin	17.6%
For the year ended 31 December 2023	
Revenue	66,795
Segment gross profit	11,229
Segment gross margin	16.8%

The revenue of the Remaining Group was approximately HK$136.3 million, HK$73.3 million, and HK$66.8 million for FY2021, FY2022, and FY2023, respectively. The revenue of the Remaining Group decreased from approximately HK$136.3 million in FY2021 by approximately 46.2% to approximately HK$73.3 million in FY2022, and further decreased by approximately 8.9% to approximately HK$66.8 million in FY2023. The decrease in revenue was mainly attributable to the challenges faced by the Remaining Group, including the coronavirus outbreak and continued Sino-US trade friction which negatively affected the Remaining Group's sales and demand of its furniture products in overseas markets. The Group's revenue decreased by approximately 46.2% from about HK$136.3 million for FY2021 to HK$73.3 million for FY2022. During FY2022, the outbreak of COVID-19 adversely impacted the business operation of the Group as well as the customers of the Group. The depreciation of Japanese Yen posted further challenges to the Group's customers located in Japan and hence lowered their demand on our furniture products.

During FY2023, the revenue of the Group further dropped to HK$66.8 million due to the recovery of business operation is slower than the expected recovery pace after the removal of anti-pandemic measures and border-reopen in the PRC. The depreciation of Japanese Yen posted further challenges to the Group's overseas customers located in Japan and hence lowered their demand for the furniture products.

The segment gross profit of the Remaining Group was approximately HK$13.4 million, HK$12.9 million, and HK$11.2 million for FY2021, FY2022, and FY2023, respectively. The segment gross profit of the Remaining Group decreased from approximately HK$13.4 million in FY2021 by approximately 3.5% to approximately HK$12.9 million in FY2022, and further decreased by approximately 13.1% to approximately HK$11,229,000 in FY2023. The decrease in segment gross profit was mainly attributable to the decrease in revenue as a result of the challenging market conditions.

The segment gross margin of the Remaining Group was around 9.8%, 17.6% and 16.8% for FY2021, FY2022 and FY2023, respectively. The improvement in the gross profit margin was mainly due to the furniture production outsourcing arrangement and better cost control.

Liquidity and Financial Resources

The Remaining Group's overall funding and treasury activities are currently managed and controlled by its senior management. There is no significant change in respect of treasury and financing policies during the three years ended 31 December 2023.

The Remaining Group maintained cash and bank balances of HK$34.9 million, HK$31.8 million and HK$23.5 million as at 31 December 2021, 31 December 2022 and 31 December 2023, among of which approximately 66.6% were denominated in HK$, approximately 27.5% were denominated in RMB, and approximately 5.9% were denominated in US$ as at 31 December 2023.

The Remaining Group's current ratios (current assets/current liabilities) were 3.6 as at 31 December 2021, 7.2 as at 31 December 2022 and 7.0 as at 31 December 2023.

The Remaining Group had no interest-bearing loans as at 31 December 2021, 2022 and 2023.

Foreign exchange exposure

The Remaining Group was exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. Major subsidiaries of the Remaining Group operate in the PRC, and the currencies giving rise to the foreign exchange risk were primarily Hong Kong Dollar, Renminbi and United States Dollar. As most of the transactions are denominated and settled in the same currency, the Remaining Group's foreign currency risk was considered to be minimal. The Group did not hold or issue any material derivative financial instruments for trading purposes or for hedging against fluctuations in foreign exchange rates as at 31 December 2021, 2022 and 2023. The management of the Remaining Group continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Financial guarantees

The Remaining Group provided guarantees in respect of the banking facilities granted to a subsidiary of the Target Group. The financial guarantees amounted to approximately HK$97,847,000 as at 31 December 2021, approximately HK$89,559,000 as at 31 December 2022 and approximately HK$88,279,000 as at 31 December 2023. These facilities were utilised to the extent of approximately HK$81,776,000 as at 31 December 2021, approximately HK$70,886,000 as at 31 December 2022 and approximately HK$53,828,000 as at 31 December 2023.

Capital commitments

The Remaining Group had no material capital commitments as at 31 December 2021, 2022 and 2023.

Significant investments, material acquisitions and disposals

The Remaining Group did not hold/make any significant investments, material acquisitions and disposals in FY2021, FY2022 and FY2023.

Material acquisitions and disposals

For the years ended 31 December 2021, 2022 and 2023, the Remaining Group had no material acquisition or disposal of subsidiaries, associated or joint ventures.

Pledge of assets

The Remaining Group had no pledged assets as at 31 December 2021, 2022 and 2023.

Contingent liabilities

At 31 December 2021, 2022 and 2023, the Company had contingent liabilities in respect of the Existing Corporate Guarantee.

Save as disclosed above, the Remaining Group did not have any material contingent liabilities as at 31 December 2021, 2022 and 2023.

Human resources and remuneration policies

As at 31 December 2021, the Remaining Group had 156 employees, of which 128 were male and 28 were female. For FY2021, the staff cost of the Remaining Group amounted to approximately HK$17.5 million.

As at 31 December 2022, the Remaining Group had 128 employees, of which 101 were male and 27 were female. For FY2022, the staff cost of the Remaining Group amounted to approximately HK$14.3 million.

As at 31 December 2023, the Remaining Group had 130 employees, of which 93 were male and 37 were female. For FY2023, the staff cost of the Remaining Group amounted to approximately HK$13.1 million.

Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market conditions. Other benefits available to eligible employees include retirement benefits and medical insurance schemes. Share options may also be granted to eligible employees of the Group and other eligible participants. Apart from regular on-the-job training, the Group also engages professional parties to provide training to its staff to ensure that they can obtain updated job related knowledge and enhance their quality of work.

UNAUDITED FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the historical financial information of Success Profit International Limited (the "**Target Group**") which comprise the unaudited statements of financial position of the Target Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 April 2024, the unaudited statements of profit or loss and other comprehensive income, the unaudited statements of changes in equity and the unaudited statements of cash flows of the Target Group for the years ended 31 December 2021, 2022 and 2023 and the four months ended 30 April 2024 (collectively, the "**Unaudited Financial Information of the Target Group**").

The Unaudited Financial Information of the Target Group has been prepared and presented in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information of the Target Group of this circular and Rule 14.68(2)(a)(i)(A) of the Listing Rules and has been prepared by the Directors solely for the purpose of inclusion in this circular in connection with the sale of entire interest in the Target Group (the "**Disposal**").

Baker Tilly Hong Kong Limited, the reporting accountant of the Company, was engaged to review the Unaudited Financial Information of the Target Group of this circular in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with reference to Practice Note 750, *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion.

Based on the review of the Unaudited Financial Information of the Target Group, nothing has come to the reporting accountant's attention that causes them to believe the Unaudited Financial Information of the Target Group is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 to the Unaudited Financial Information of the Target Group.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three years ended 31 December 2021, 2022 and 2023 and four months ended 30 April 2023 and 2024

	For the year ended 31 December			For the four months ended 30 April	
	2021	2022	2023	2023	2024
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	38,665	27,064	27,418	7,640	6,818
Cost of sales	(27,981)	(15,696)	(16,242)	(3,899)	(4,737)
Gross profit	10,684	11,368	11,176	3,741	2,081
Other net income	385	221	784	105	112
Selling and distribution expenses	(2,888)	(882)	(3,531)	(220)	(361)
Administrative expenses	(10,968)	(24,806)	(11,526)	(1,909)	(1,293)
(Loss)/profit from operations	(2,787)	(14,099)	(3,097)	1,717	539
Finance costs	(5,008)	(4,655)	(3,898)	(1,608)	(979)
(Loss)/profit before taxation	(7,795)	(18,754)	(6,995)	109	(440)
Income tax expense	(16)	–	–	–	–
(Loss)/profit for the year	**(7,811)**	**(18,754)**	**(6,995)**	**109**	**(440)**
Other comprehensive (loss)/income for the year					
Item that may be reclassified subsequently to profit or loss:					
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	(307)	(1,099)	71	(53)	14
Other comprehensive (loss)/income for the year	(307)	(1,099)	71	(53)	14
Total comprehensive (loss)/income for the year	**(8,118)**	**(19,853)**	**(6,924)**	**56**	**(426)**

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021, 2022 and 2023 and 30 April 2024

		As at 31 December			As at 30 April
		2021	**2022**	**2023**	**2024**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment		107,073	79,567	73,545	72,758
Right-of-use assets	*3*	20,208	17,975	16,762	16,557
		127,281	97,542	90,307	89,315
Current assets					
Inventories		264	–	–	2,462
Trade and other receivables		47,414	41,281	20,053	25,397
Cash and cash equivalents		11,066	6,282	9,984	11,876
		58,744	47,563	30,037	39,735
CURRENT LIABILITIES					
Trade and other payables		10,268	12,505	5,465	14,366
Amount due to the Remaining Group		55,239	32,505	38,766	–
Bank loans		81,776	70,886	53,828	55,704
		147,283	115,896	98,059	70,070
Net current liabilities		(88,539)	(68,333)	(68,022)	(30,335)
NET ASSETS		**38,742**	**29,209**	**22,285**	**58,980**
CAPITAL AND RESERVES					
Share capital		94	98	98	102
Reserves		38,648	29,111	22,187	58,878
TOTAL EQUITY		**38,742**	**29,209**	**22,285**	**58,980**

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three years ended 31 December 2021, 2022 and 2023 and four months ended 30 April 2023 and 2024

	Share capital	Share premium	Exchange reserve	Statutory reserve fund	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2021	**94**	**99,506**	**11,111**	**4,646**	**(68,497)**	**46,860**
Loss for the year	–	–	–	–	(7,811)	(7,811)
Other comprehensive loss	–	–	(307)	–	–	(307)
Total comprehensive loss for the year	–	–	(307)	–	(7,811)	(8,118)
Balance at 31 December 2021 and 1 January 2022	**94**	**99,506**	**10,804**	**4,646**	**(76,308)**	**38,742**
Loss for the year	–	–	–	–	(18,754)	(18,754)
Other comprehensive loss	–	–	(1,099)	–	–	(1,099)
Total comprehensive loss for the year	–	–	(1,099)	–	(18,754)	(19,853)
Issue of shares	4	10,316	–	–	–	10,320
Balance at 31 December 2022 and 1 January 2023	**98**	**109,822**	**9,705**	**4,646**	**(95,062)**	**29,209**
Loss for the year	–	–	–	–	(6,995)	(6,995)
Other comprehensive income	–	–	71	–	–	71
Total comprehensive income/(loss) for the year	–	–	71	–	(6,995)	(6,924)
Balance at 31 December 2023 and 1 January 2024	**98**	**109,822**	**9,776**	**4,646**	**(102,057)**	**22,285**
Loss for the period	–	–	–	–	(440)	(440)
Other comprehensive income	–	–	14	–	–	14
Total comprehensive income/(loss) for the period	–	–	14	–	(440)	(426)
Issue of shares	4	37,117	–	–	–	37,121
Balance at 30 April 2024	**102**	**146,939**	**9,790**	**4,646**	**(102,497)**	**58,980**

	Share capital	Share premium	Exchange reserve	Statutory reserve fund	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2023	**98**	**109,822**	**9,705**	**4,646**	**(95,062)**	**29,209**
Profit for the period	–	–	–	–	109	109
Other comprehensive loss	–	–	(53)	–	–	(53)
Total comprehensive (loss)/ income for the period	–	–	(53)	–	109	56
Balance at 30 April 2023	**98**	**109,822**	**9,652**	**4,646**	**(94,953)**	**29,265**

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three years ended 31 December 2021, 2022 and 2023 and four months ended 30 April 2023 and 2024

	For the year ended 31 December			For the four months ended 30 April	
	2021	2022	2023	2023	2024
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities					
(Loss)/profit before taxation	(7,795)	(18,754)	(6,995)	109	(440)
Adjustments for:					
– Depreciation of property, plant and equipment	5,291	4,005	2,190	1,385	638
– Depreciation of right-of-use assets	561	561	561	175	175
– Impairment loss on property, plant and equipment	–	14,933	1,956	–	–
– Impairment loss on right-of-use assets	–	–	446	–	–
– (Reversal of impairment loss)/ impairment loss on trade and other receivables	(277)	(600)	460	–	(600)
– Interest expense	5,008	4,655	3,898	1,608	979
– Interest income	(14)	(23)	(7)	(1)	(20)
– Loss on disposal of property, plant and equipment, net	–	–	678	–	–
– Write off of other receivables	1,953	–	–	–	–
– Write off of trade payables	–	–	(595)	–	–
– Effect of foreign exchange rate changes, net	(3,203)	(794)	98	(22)	78
Operating profit before changes in working capital	1,524	3,983	2,690	3,254	810
Decrease/(increase) in inventories	5,661	242	–	(4,001)	(2,462)
(Increase)/decrease in trade and other receivables	(19,637)	2,703	20,177	1,621	(4,784)
(Decrease)/increase in trade and other payables	(3,946)	3,108	(6,266)	1,613	8,912
(Decrease)/increase in amount due to the Remaining Group	(2,853)	(15,709)	7,093	–	(1,590)
Cash (used in)/generated from operations	(19,251)	(5,673)	23,694	2,487	886
Interest received	14	23	7	1	20
Interest paid	(5,008)	(4,655)	(3,898)	(1,608)	(979)

	For the year ended 31 December			For the four months ended 30 April	
	2021	**2022**	**2023**	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash (used in)/generated from operating activities	(24,245)	(10,305)	19,803	880	(73)
Investing activities					
Proceeds from disposal of property, plant and equipment	–	–	34	–	–
Net cash generated from investing activities	–	–	34	–	–
Financing activities					
Proceeds from issuance of share capital	–	10,320	–	–	–
Proceeds from new bank loans	64,041	12,314	5,517	–	3,304
Repayment of bank loans	(49,399)	(16,277)	(21,562)	(3,605)	(1,319)
Net cash generated from/(used in) financing activities	14,642	6,357	(16,045)	(3,605)	1,985
Net (decrease)/increase in cash and cash equivalents	(9,603)	(3,948)	3,792	(2,725)	1,912
Cash and cash equivalents at beginning of the year	20,116	11,066	6,282	6,282	9,984
Effect of foreign exchange rate changes	553	(836)	(90)	78	(20)
Cash and cash equivalents at end of the year	11,066	6,282	9,984	3,635	11,876

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the three years ended 31 December 2021, 2022 and 2023 and four months ended 30 April 2024

1. GENERAL INFORMATION

Success Profit International Limited (the "**Disposal Company**") is principally engaged in investment holding. It's principal subsidiaries are principally engaged in design, manufacture, sale and marketing of home furniture, provision of promotional services and trademark holding/licensing.

The functional currency of the Disposal Company is in Hong Kong dollars and the unaudited consolidated financial information of the Disposal Company and its subsidiaries (together the "**Disposal Group**") is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

The unaudited consolidated financial information of the Disposal Group for the three years ended 31 December 2021, 31 December 2022, 31 December 2023 and the four months ended 30 April 2024 (the "**Consolidated Financial Information**") has been prepared solely for the purpose of inclusion in the circular to be issued by Hing Lee (HK) Holdings Limited (the "**Company**") in connection with the proposed disposal of 100% equity interests in the Disposal Company in accordance with Rule 14.68(2)(a)(i) of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and in accordance with the relevant accounting policies adopted by the Company in the preparation of the consolidated financial statements of the Company and its subsidiaries for the years ended 31 December 2021, 2022 and 2023 (the "**Relevant Years**"), which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The Consolidated Financial Information of the Disposal Group has been prepared under the historical cost convention. The Consolidated Financial Information of the Disposal Group does not contain sufficient information to constitute a complete set of consolidated financial statements as described in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor a complete condensed interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA, and that it should be read in conjunction with the relevant published annual financial statements of the Company for the Relevant Years.

The Target Group's current liabilities exceeded current assets by HK$88,539,000, HK$68,333,000, HK$68,022,000 and HK$30,335,000 as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 April 2024, respectively. The directors of the Company are satisfied that the Target Group will have sufficient financial resources to meet its financial obligations as the Group have agreed to provide adequate financial support to the Target Group in the foreseeable future. Accordingly, the directors have prepared the unaudited consolidated financial information of the Target Group on a going concern basis.

3. RIGHT-OF-USE ASSETS

The amount solely represents the land use rights of the Target Properties held by the Target Group with a lease term of 50 years, commencing from 29 June 2007 and expiring on 28 June 2057.

The information set out in this Appendix does not form part of the Accountants' Report issued by Baker Tilly Hong Kong Limited, the Company's reporting accountants, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial information of the Group" set out in Appendix I.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(1) Introduction

Capitalised terms used herein shall have the same meanings as those defined in this circular.

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect that the Disposal might have on the financial information of the Group.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2023 as extracted from the published annual report for the year ended 31 December 2023 ("**2023 Annual Report**") dated 22 March 2024, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Disposal on the financial position of the Remaining Group as if the completion of the Disposal had taken place on 31 December 2023.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023 as extracted from the 2023 Annual Report, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Disposal on the financial performance and cash flows, respectively, of the Remaining Group as if the completion of the Disposal had taken place on 1 January 2023.

The unaudited pro forma financial information of the Remaining Group has been prepared by the Directors in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules for illustrative purposes only, based on their judgements, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the completion of Disposal been completed as at 31 December 2023 or at any future dates and of the financial performance and cash flows of the Remaining Group for the year ended 31 December 2023 or any future periods had the Disposal been completed on 1 January 2023 or at any future dates.

The unaudited pro forma financial information should be read in conjunction with the published 2023 Annual Report, the Company's announcement dated 13 June 2024 and other financial information included elsewhere in this circular.

(2) Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group as at 31 December 2023

	The Group as at 31 December 2023	Pro forma adjustments				Unaudited pro forma of the Remaining Group
	Note (a)	Note (b)	Note (d)	Note (e)	Note (h)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Property, plant and equipment	75,448	–	–	(73,545)	–	1,903
Right-of-use assets	22,127	–	–	(16,762)	–	5,365
	97,575	–	–	(90,307)	–	7,268
Current assets						
Inventories	4,099	–	–	–	–	4,099
Trade and other receivables	47,086	–	1,645	(20,053)	–	28,678
Cash and cash equivalents	33,510	60,700	–	(9,984)	(60,688)	23,538
	84,695	60,700	1,645	(30,037)	(60,688)	56,315
Current liabilities						
Trade and other payables	14,805	–	38,766	(44,231)	–	9,340
Bank loans	53,828	–	–	(53,828)	–	–
Lease liabilities	3,987	–	–	–	–	3,987
	72,620	–	38,766	(98,059)	–	13,327
Net current assets	**12,075**	**60,700**	**(37,121)**	**68,022**	**(60,688)**	**42,988**
Total assets less current liabilities	**109,650**	**60,700**	**(37,121)**	**(22,285)**	**(60,688)**	**50,256**
Non-current liabilities						
Lease liabilities	2,286	–	–	–	–	2,286
Provision for long service payments	191	–	–	–	–	191
	2,477	–	–	–	–	2,477
NET ASSETS	**107,173**	**60,700**	**(37,121)**	**(22,285)**	**(60,688)**	**47,779**
CAPITAL AND RESERVES						
Share capital	8,081	–	–	–	–	8,081
Reserves	99,092	60,700	(37,121)	(22,285)	(60,688)	39,698
TOTAL EQUITY	**107,173**	**60,700**	**(37,121)**	**(22,285)**	**(60,688)**	**47,779**

(3) Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Remaining Group for the year ended 31 December 2023

	The Group for the year ended 31 December 2023	Pro forma adjustments			Unaudited pro forma of the Remaining Group
	Note (a)	Note (g)	Note (i)	Note (j)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**94,213**	**511**	**(27,418)**	**–**	**67,306**
Cost of sales	(71,808)	(511)	16,242	–	(56,077)
Gross profit	**22,405**	**–**	**(11,176)**	**–**	**11,229**
Gain on the Disposal	–	–	–	4,075	4,075
Other net income	548	3,279	(784)	–	3,043
Selling and distribution expenses	(7,665)	–	3,531	–	(4,134)
Administrative expenses	(22,354)	(3,279)	11,526	–	(14,107)
(Loss)/profit from operations	**(7,066)**	**–**	**3,097**	**4,075**	**106**
Finance costs	(4,390)	–	3,898	–	(492)
Loss before taxation	**(11,456)**	**–**	**6,995**	**4,075**	**(386)**
Income tax expense	–	–	–	–	–
Loss for the year	**(11,456)**	**–**	**6,995**	**4,075**	**(386)**

(4) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group for the year ended 31 December 2023

	The Group for the year ended 31 December 2023	Pro forma adjustments		Unaudited pro forma of the Remaining Group
	Note (a)	Note (i)	Note (j)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year	**(11,456)**	**6,995**	**4,075**	**(386)**
Other comprehensive loss for the year				
Items that may be reclassified subsequently to profit or loss				
– Exchange differences on translations of financial statements of overseas subsidiaries, net of nil tax	(102)	(71)	–	(173)
– Exchange reserve reclassified to profit or loss upon the Disposal, net of nil tax	–	–	(9,705)	(9,705)
Other comprehensive loss for the year	(102)	(71)	(9,705)	(9,878)
Total comprehensive loss for the year	**(11,558)**	**6,924**	**(5,630)**	**(10,264)**

(5) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for the year ended 31 December 2023

	The Group for the year ended 31 December 2023	Pro forma adjustments				Unaudited pro forma of the Remaining Group
	Note (a)	Note (i)	Note (j)	Note (g)	Note (h)	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating activities						
Loss before taxation	(11,456)	6,995	4,075	–	–	(386)
Adjustments for:						
– Depreciation of property, plant and equipment	2,983	(2,190)	–	–	–	793
– Depreciation of right-of-use assets	3,983	(561)	–	–	–	3,422
– Gain on the Disposal	–	–	(4,075)	–	–	(4,075)
– Reversal of write-down of inventories	(70)	–	–	–	–	(70)
– Impairment loss on property, plant and equipment	1,956	(1,956)	–	–	–	–
– Impairment loss on right-of-use assets	446	(446)	–	–	–	–
– Impairment loss on trade receivables	1,954	(460)	–	–	–	1,494
– Impairment loss on other deposits and receivables	1,050	–	–	–	–	1,050
– Interest expense	4,390	(3,898)	–	–	–	492
– Interest income	(927)	7	–	–	–	(920)
– Provision for long service payments	191	–	–	–	–	191
– Loss on disposal of property, plant and equipment, net	705	(678)	–	–	–	27
– Write off of trade payables	(595)	595	–	–	–	–
– Effect of foreign exchange rate changes, net	703	(98)	–	–	–	605
Operating profit before changes in working capital	**5,313**	**(2,690)**	**–**	**–**	**–**	**2,623**
Decrease in inventories	1,278	–	–	–	–	1,278
Decrease/(increase) in trade and other receivables	19,131	(20,177)	–	(2,768)	–	(3,814)
Decrease in trade and other payables	(6,881)	(827)	–	2,768	–	(4,940)

(5) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for the year ended 31 December 2023 (Continued)

	The Group for the year ended 31 December 2023	Pro forma adjustments				Unaudited pro forma of the Remaining Group
	Note (a)	Note (i)	Note (j)	Note (g)	Note (h)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash generated from/(used in) operations	**18,841**	**(23,694)**	**–**	**–**	**–**	**(4,853)**
Interest received	927	(7)	–	–	–	920
Interest paid	(3,898)	3,898	–	–	–	–
Net cash generated from/(used in) operating activities	**15,870**	**(19,803)**	**–**	**–**	**–**	**(3,933)**
Investing activities						
Purchase of property, plant and equipment	(257)	–	–	–	–	(257)
Proceeds from disposal of property, plant and equipment	34	(34)	–	–	–	–
Proceeds from the Disposal	–	–	54,418	–	–	54,418
Net cash (used in)/generated from investing activities	**(223)**	**(34)**	**54,418**	**–**	**–**	**54,161**
Financing activities						
Proceeds from new bank loans	5,517	(5,517)	–	–	–	–
Repayment of bank loans	(21,562)	21,562	–	–	–	–
Dividends paid	–	–	–	–	(60,688)	(60,688)
Capital element of lease rentals paid	(3,589)	–	–	–	–	(3,589)
Interest element of lease rentals paid	(492)	–	–	–	–	(492)
Net cash used in financing activities	**(20,126)**	**16,045**	**–**	**–**	**(60,688)**	**(64,769)**
Net decrease in cash and cash equivalents	**(4,479)**	**(3,792)**	**54,418**	**–**	**(60,688)**	**(14,541)**
Cash and cash equivalents at beginning of the year	**38,050**	**(6,282)**	**–**	**–**	**–**	**31,768**
Effect of foreign exchange rate changes	(61)	90	–	–	–	29
Cash and cash equivalents at end of the year	**33,510**	**(9,984)**	**54,418**	**–**	**(60,688)**	**17,256**

(6) Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

a. The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023 and the audited consolidated statement of profit or loss, audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows for the year then ended as set out in the published 2023 Annual Report.

b. The consideration is represented by (i) the cash consideration of HK$62,000,000 in which the Group expects to receive the consideration within one year; and (ii) directly attributable transaction costs of HK$1,300,000 expected to be incurred in connection with the Disposal (the "**Net Consideration**").

	HK$'000
Consideration for the Disposal	62,000
Less: Estimated transaction costs	(1,300)
Net Consideration	60,700

The transaction costs represent professional expenses directly attributable to the Disposal which would be recognised in the Remaining Group's consolidated statement of profit or loss upon completion of the Disposal. The adjustment is not expected to have a continuing effect on the Group.

c. The consolidated statement of financial position is translated into HK$ at the approximate exchange rate of RMB1 to HK$1.10 while the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Target Group are translated into HK$ at the approximate exchange rate of RMB1 to HK$1.11, for illustration purpose only and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the disposal of the Target Group had taken place on 31 December 2023.

d. The adjustment represents (i) the capitalisation of amount due from the Target Group of HK$37,121,000 and recorded within the Target Group's equity on 16 April 2024; and (ii) reinstatement of intra group balances of HK$1,645,000 between the Target Group and the Remaining Group, which have been eliminated at consolidation level.

e. The adjustment represents the exclusion of carrying amounts of assets and liabilities of the Target Group with the net impact of HK$22,285,000 as at 31 December 2023, assuming the disposal of the Target Group had taken place on 31 December 2023, which are extracted from the unaudited consolidated statement of financial position of the Target Group as set forth in Appendix II to this circular.

(6) Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

f. These adjustments represent (i) the Net Consideration of HK$60,700,000 as mentioned in note (b) above and (ii) the estimated gain, together with the estimated net cash inflow, on the Disposal as if the Disposal had taken place on 31 December 2023.

The adjustment represents the estimated net impact of gain on the Disposal as if it had taken place on 31 December 2023, which is calculated as follows:

	HK$'000
Estimated gain on the Disposal	
Net Consideration for the Disposal *(Note (b))*	60,700
Less:	
– Derecognition of the net assets of the Target Group as at 31 December 2023*	(22,285)
– Capitalisation of amount due from the Target Group#	(37,121)
	1,294
Release of exchange fluctuation reserve of the Target Group*	9,776
Estimated gain on the Disposal as if it had taken place on 31 December 2023	11,070
Estimated net cash inflow on the Disposal	
Net consideration for the Disposal *(Note (b))*	60,700
Cash and cash equivalents disposed of	(9,984)
Estimated net cash inflow as if it had taken place on 31 December 2023	50,716

* The amounts are extracted from the unaudited financial information of the Target Group as set out in Appendix II to this circular.

\# The adjustment represents the capitalisation of the amount due from the Target Group amounting to HK$37,121,000 as mentioned in note (d) above.

Actual gain on the Disposal depends on actual proceeds from the Disposal, actual amount of net assets of the Target Group and actual amount of exchange reserve of the Target Group to be released to profit or loss on the completion date. Therefore, the actual gain on the Disposal shall be different to the amount calculated in the above table.

g. The adjustment represents the reinstatement of related party transactions between the Target Group and the Remaining Group, which have been eliminated in the consolidated financial statements of the Group for the year ended 31 December 2023, assuming the Disposal had taken place on 1 January 2023.

The related party transactions between the Target Group and the Remaining Group represent (i) the purchases of trading goods from the Target Group of HK$511,000; and (ii) management fee charged by the Remaining Group to the Target Group of HK$3,279,000 in relation to the administration services provided to the Target Group for its daily operations.

h. The adjustment represents the declaration of a special dividend of HK$60,688,000 (representing HK$0.0751 per share) out of the contributed surplus account to shareholders of the Company, subject to (i) the receipt of the sale proceeds upon Completion in which it is also one of the conditions precedent to the Disposal; and (ii) obtaining approval from shareholders of the Company in special general meeting in which the Company transfers HK$176,627,000 from its share premium account to the accumulated losses account of HK$108,484,000 and the remaining balance of HK$68,143,000 will be credited to contributed surplus account to pay the special dividend as mentioned above.

(6) Notes to the Unaudited Pro Forma Financial Information of the Remaining Group (Continued)

The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows, assuming the disposal of the Target Group had taken place on 1 January 2023.

i. The adjustment represents the exclusion of operating results, other comprehensive loss and cash flows of the Target Group for the year ended 31 December 2023, assuming the disposal of the Target Group had taken place on 1 January 2023, which are extracted from the unaudited consolidated statement of profit or loss, the unaudited consolidated statement of profit or loss and other comprehensive income and the unaudited consolidated statement of cash flows of the Target Group as set forth in Appendix II to this circular.

j. These adjustments represent (i) the Net Consideration of HK$60,700,000 as mentioned in note (b) above and (ii) the estimated gain, together with the estimated net cash inflow, on the Disposal as if the Disposal had taken place on 1 January 2023.

The adjustment represents the estimated net impact of gain on the Disposal as if it had taken place on 1 January 2023, which is calculated as follows:

	HK$'000
Estimated gain on the Disposal	
Net Consideration for the Disposal *(Note (b))*	60,700
Less:	
– Derecognition of the net assets of the Target Group as at 1 January 2023*	(29,209)
– Capitalisation of amount due from the Target Group#	(37,121)
	(5,630)
Release of exchange fluctuation reserve of the Target Group*	9,705
Estimated gain on the Disposal as if it had taken place on 1 January 2023	4,075
Estimated net cash inflow on the Disposal	
Net consideration for the Disposal *(Note (b))*	60,700
Cash and cash equivalents disposed of	(6,282)
Estimated net cash inflow as of it had taken place on 1 January 2023	54,418

* The amounts are extracted from the unaudited financial information of the Target Group as set out in Appendix II to this circular.

The adjustment represents the capitalisation of the amount due from the Target Group amounting to HK$37,121,000 as mentioned in note (d) above.

Actual gain on the Disposal depends on actual proceeds from the Disposal, actual amount of net assets of the Target Group and actual amount of exchange reserve of the Target Group to be released to profit or loss on the completion date. Therefore, the actual gain on the Disposal shall be different to the amount calculated in the above table.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Remaining Group.

bakertilly
天職國際

Independent Reporting Accountants' Assurance Report on the Compilation of Unaudited Pro Forma Financial Information

To the Directors of Hing Lee (HK) Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hing Lee (HK) Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2023, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023 and the related notes set out on pages III-1 to III-9 of the circular dated 26 July 2024 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed disposal of the entire equity interests in Success Profit International Limited and its subsidiaries (the "**Disposal**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in pages III-1 to III-9 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposal on the Group's financial position as at 31 December 2023 as if the Disposal had taken place on 31 December 2023, and the Group's financial performance and cash flows for the year ended 31 December 2023 as if the Disposal had taken place on 1 January 2023. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2023, on which an audit report have been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would at 31 December 2023 or 1 January 2023 have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 26 July 2024
Tong Wai Hang
Practising certificate number P06231

The following is the valuation report comprises of the text section and property particular with value section prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 31 May 2024 of the property interests held by the Group.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL ASSETS VALUER

*The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the latest edition of the International Valuation Standards (the "**IVS**") published by the International Valuation Standards Council. The standard entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader's identification purpose only and have no legal status or implication in this report. This report is prepared and signed off in English format, translation of this report in language other than English should not be regarded as a substitute to this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasized that the findings and conclusions presented below are based on the documents and facts known to the valuer at the Latest Practicable Date of this Circular. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.*

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

26 July 2024

Hing Lee (HK) Holdings Limited
Units 1101 on 11th Floor
Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of Hing Lee (HK) Holdings Limited (hereinafter referred to as the "**Instructing Party**") to us to conduct an agreed-upon procedures valuation of a designated property in which Hing Lee (HK) Holdings Limited (hereinafter referred to as the "**Company**") and its subsidiaries (collectively, together with the Company hereinafter referred to as the "**Group**") have interests in the mainland of The People's Republic of China (hereinafter referred to as the "**PRC**" or "**China**"), we confirm that we have conducted inspection, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of value of the property interest as at 31 May 2024 (hereinafter referred to as the "**Valuation Date**") for the Company's internal management reference purpose. We are given to understand that this valuation report to this document (the "**Circular**") is also for the Company's shareholders' reference purpose. This valuation report comprises of the text section and property particular with value section.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party's due diligence but we have not been engaged to make specific sale or purchase recommendations, or give opinion for financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the management of the Instructing Party should conduct in reaching its business decision regarding the property valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of value of the property are documented in this valuation report and submitted to the Instructing Party at today's date (hereinafter referred to as the "**Report Date**").

BASIS OF VALUE AND ASSUMPTIONS

According to the IVS, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our opinion of value of the property on the market value basis.

The term "Market Value" is defined by the IVS as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation of the property interest considered the following conditions to arrive at the Market Value of the property interest, as at the Valuation Date,

1. Does the legally interested party in the property has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired terms as granted, and any premium payable have already been fully paid?

2. Is the legally interested party in the property selling its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the value of the property interest?

3. Does the legally interested party in the property has absolute title to its relevant property interest?

4. Has the property obtained relevant government's approvals for the sale of the property and is able to dispose of and transfer free of all encumbrances (including but not limited to the cost of the transaction) in the market?

5. Can the property be freely disposed of and transferred free of all encumbrances as at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government?

APPROACH TO VALUE

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis, namely the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

According to the PRC legal opinion dated 26 July 2024 and provided to us, the property is not transferrable. The preconditions for the adoption of the market approach to arrive at the Market Value are a developed, fair and active open market with sufficient market information and the availability of comparable transactions in the open market. As the state-owned land use right in the PRC where the property located is not allowed to be transferred or leased by the interested party in the property pursuant to the Realty Title Certificate, there is no such comparable transactions in the open market. Market approach is not appropriate for the valuation of the property. Ipso facto, the property is not allowed to be leased, and no rental income can be generated from the property. Thus, the income approach is not appropriate as the property is not allowed to be leased.

For information purpose of the Company, the non-market value basis of depreciated replacement cost of the building elements of the property was reported by adopting the depreciated replacement cost ("**DRC**") method. According to HKIS Valuation Standards 2020, the DRC is a one of the four cost approach methods. The application of the DRC method in real property valuation is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization. For specialized property where it is impracticable to identify the market value by sales comparison approach, the DRC method is considered as the most appropriate method. The underlying theory of this method is the property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property i.e. the DRC of the valued property. The DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

Specialized property is certain types of property which is rarely, if ever, sold in the open market, except by way of a sale of the business of which they are a part (called the business in occupation), due to their uniqueness arising from their specialized nature and design of the buildings, their configuration, size, location or otherwise. Examples are: standard property located in particular geographical areas and remote from main business centres for operational or business reasons, that are of such an abnormal size for that district, that there would be no market for such buildings there; buildings and site engineering works related directly to the business of the owner, as it is highly unlikely that they would have a value to anyone other than a company acquiring the undertaking; and property of such construction, arrangement, size or specification that there would be no market (for a sale to a single owner occupier for the continuation of existing use) for those buildings.

Having considered the inherent and general characteristics of the property, we are of the opinion that the property is specialized property. However, the DRC method is not appropriate to determine the value of the land element of the property, because every piece of land is unique. It would be challenging to find a replacement site with the same features and characteristics as the land element of the property, which contributes to the service potential of the building elements (the improvements) within their specific locality to be a representative comparable to build up the cost. In considering the building elements, the gross replacement cost of the building elements should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the Valuation Date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the Valuation Date, the work having commenced at the appropriate time.

We need to state that our opinion of the DRC of the building elements of the property is not necessarily intended to represent the amount that might be realized from disposition on piecemeal basis in the open market.

Unless otherwise stated, we have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the rights to revise our report and valuation accordingly.

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the property valued nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, as at the Latest Practicable Date of this Circular, we are unable to identify any adverse news against the property which may affect the reported value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the property. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the value reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement, the Instructing Party or the appointed personnel of the Company provided us the necessary copies of documents to support that the legally interested party in the property (in this instance, the Group) has free and uninterrupted rights to use its relevant property interests for the whole of the unexpired terms as granted, free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed, and the Group has the right to occupy and use the property. However, our procedures to value, as agreed with Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the property from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal advisor to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the property.

We have been provided with copies of the title documents of the property. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the property valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the property that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to stated that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the property in China. However, we have complied with the requirements as stated in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copies of documents and a copy of the PRC legal opinions provided by the Instructing Party or the appointed personnel of the Company with regards to the legal title of the property. We are given to understand that the PRC legal opinions was prepared by a qualified PRC legal advisor Beijing Yingke (Shenzhen) Law Firm 北京市盈科(深圳)律師事務所 dated 26 July 2024. All documents are for reference only. No responsibility or liability from our part is assumed.

In our report, we have assumed that the Group has obtained all the approval and/or endorsement from the relevant authorities to own or to use the property, and that there would be no legal impediment (especially from the regulators) for the Group to continue the legal titles to the property. Should this not be the case, it will affect our opinion of value in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY

We have conducted inspection to the exterior, and where possible, the interior of the property on 10 May 2024 by Sr J. Junior Ho (Executive Director) in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We inspected the property under the companion of the appointed personnel of the Group. As advised, the staff possesses the ability to accompany us to conduct inspection. In our inspection, we have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. During our inspection, it is noted that there were seals issued from the Shenzhen Pingshan District People's Court posted. As explained by the Company, certain products and equipment of a third party (whose products were being promoted in connection with the PRC Company's promotion business) have been seized by the court and are still kept in the Target Properties. The court seizure order is made against the owner of the products and equipment who is in financial difficulties. As advised by the PRC legal adviser of the Company, these products and equipment are not allowed to be moved from the site under the court seizure order without the approval or authorization from the court. For detail please refer to the Letter from the Board of this Circular.

We also unable to inspect covered pipe works and building facilities as well as underground water system. However, this will not affect our valuation of the property as we have assumed the conditions of these are maintained in normal condition. This is also a common practice in our valuation profession. We cannot express an opinion about or advise upon the condition of the property and our work product should not be taken as making any implied representation or statement about the condition of the property. No building survey, structural survey, investigation, test or examination has been made, but in the course of our inspections, we did not note any serious defects in the property inspected. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to the building utilities (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the property, but have assumed that the areas shown on the documents and official layout plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the property did not include an independent land survey to verify the legal boundaries of the property. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the property that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the property should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the property, or has since been incorporated, and we are therefore unable to report that the property is free from risk in this respect, and therefore we have not considered such factor in our valuation.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from its uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our works, we have been provided with copies of the documents regarding the property, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state we are not legal professional, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party.

We have relied solely on the information provided by Instructing Party or the appointed personnel of the Company without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, site and floor areas and all other relevant matters.

Our valuation has been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other professions, external data providers and Instructing Party or the appointed personnel of the Company in our works, the assumptions and caveats that adopted by them in arriving at their figures also applied to this report. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by Instructing Party or the appointed personnel of the Company. Also, we have sought and received confirmation from the Instructing Party or its appointed personnel of the Company that no materials factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Instructing Party of material and latent facts that may affect our works.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party or the appointed personnel of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("**RMB**").

OPINION OF VALUE

Based on the above information and assumptions, we have assigned no commercial value to the property as at the Valuation Date.

LIMITING CONDITIONS IN THIS REPORT

Our findings and value of the property in this report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person. Our valuation has been made on the assumption that no unauthorized alteration, extension or addition has been made in the property, and that the use of this report does not purport to be a building survey of the property.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this report to reflect events or conditions, which occur or make known to us subsequent to the date hereof. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this Circular to the Company's shareholders' reference.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt, our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

It is agreed that the Instructing Party and the Group are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, wilful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report is prepared in line with the reporting requirements contained in Chapter 5 of the Listing Rules as well as the reporting guidelines contained in the IVS. The valuation has been undertaken by valuer (see End Note), acting as external valuer, for the purpose of the valuation.

We retain a copy of this report and the detailed valuation report together with the information provided by the Instructing Party for the purpose of this valuation, and the information will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The analysis and valuation of the property depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported value significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion and we have no significant interest in the property, the Group or the value reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

J. Junior Ho *R.P.S. (GP)(PD)*
Executive Director

Note:

Sr J. Junior Ho is a Fellow of The HKIS and has been conducting valuation of various assets including real properties in Hong Kong, Macau, Taiwan, mainland China, Canada, the United Kingdom, France, Singapore, Guyana, Samoa, Argentina and Vietnam since 2010.

PROPERTY PARTICULAR WITH VALUE

Property held and occupied by the Group under long-term title certificate in the PRC and valued on market value basis

Property	**Description and tenure**	**Particulars of occupancy**	**Amount of valuation in its existing state attributable to the Group as at 31 May 2024** *RMB*
A factory complex located at Lot No. G14309-0285 Kengzi Town Industrial Zone, Longgang District, Shenzhen City, Guangdong Province, The People's Republic of China 518112 一座工廠位於廣東省深圳市龍崗區坑梓鎮工業區宗地號: G14309-0285	The property comprises a parcel of land having a site area of approximately 43,817.36 sq. m. *(See Note 1 below)* with 4 various major buildings and structures erected thereon. The buildings and structures include 2 various single to 3-storey workshops, an 8-storey dormitory and a single storey warehouse which were completed in between 2009 and 2010. They have a total gross floor area of approximately 42,218.14 sq. m. *(See Notes 2 & 3 below)* The property is located at an industrial area in Kengzi Town and surrounded by various industrial complexes. The property is subject to a right to use the land for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage. *(See Note 1 below)*	As inspected and confirmed by the Instructing Party and the appointed personnel of the Company, as at the Valuation Date, most parts of the property were vacant and not in occupation, with portion of the dormitory being occupied. It is noted that there were seals issued from the Shenzhen Pingshan District People's Court posted in the property.	No commercial value 100 per cent. interest *(See Note 6 below)*

Notes:

1. The right to possess the land is held by the State and the rights to use the land have been granted by the State to 深圳興利傢俱有限公司 (translated as Shenzhen Xingli Furniture Co., Ltd. and hereinafter referred to as "**Shenzhen Xingli**"), a wholly-owned subsidiary of the Company, vide the following ways:

   (i) Pursuant to a Contract for the Grant of State-owned Land Use Rights known as Shen Di He Zi (2007) 5057 Hao (深地合字(2007)5057號) dated 29 June 2007 and made between the Shenzhen Municipal Land Resources and Real Estate Administrative Bureau and Shenzhen Xingli Zundian, the state-owned land use rights of a parcel of land having a site area of 43,817.36 sq.m. was granted to Shenzhen Xingli Zundian for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage. The consideration has been fully paid; and

   (ii) Pursuant to four various Realty Title Certificates known as Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165257 Hao (粵(2018)深圳市不動產權第0165257號), Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165263 Hao, Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165334 Hao and Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165389 Hao, all dated 7 August 2018 and registered in the Shenzhen Real Estate Registration Centre, the legally interested party in the land having a site area of approximately 43,817.36 sq.m. is Shenzhen Xingli for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage. The land is not allowed to assign.

2. According to four various Realty Title Certificates known as Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165257 Hao (粵(2018)深圳市不動產權第0165257號), Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165263 Hao, Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165334 Hao and Yue (2018) Shen Zhen Shi Bu Dong Chan Quan Di 0165389 Hao, all dated 7 August 2018 and registered in the Shenzhen Real Estate Registration Centre, the legally interested party in 4 various buildings erected on the land as mentioned in Note 1 having a total gross floor area of approximately 42,218.14 sq. m. is Shenzhen Xingli.

3. The area breakdown for each of the buildings are as follows:

Buildings (no. of storey)	Usage	Completion Year	Estimated Remaining Useful Life	Gross Floor Area *(sq. m.)*
Workshop (single storey)	industrial	7/2010	26.12	3,050.44
Workshop (3-storey)	industrial	11/2009	25.49	30,172.75
Warehouse (single storey)	industrial	11/2009	25.49	109.12
Dormitory (8-storey)	ancillary (for habitation)	11/2009	25.49	8,885.83
Total:				**42,218.14**

4. Pursuant to the Enterprise Legal Person Business Licence dated 23 May 2013, Shenzhen Xingli is a Limited Liability Company (Taiwan, Hong Kong and Macao's sole proprietorship of legal person) which was established on 16 December 2002.

5. According to the mortgage agreements dated 25 September 2020 and made between the Pingshan Branch of the Shenzhen Rural Commercial Bank and Shenzhen Xingli, the property is subject to mortgage in favour of the Pingshan Branch of the Shenzhen Rural Commercial Bank for a banking facility of RMB80,000,000.

6. According to the legal opinions prepared by the Company's PRC legal adviser, Beijing Yingke (Shenzhen) Law Firm (北京市盈科(深圳)律師事務所) dated 26 July 2024, the following opinions are noted:

   (i) Shenzhen Xingli obtained the state-owned land use rights with full payment of land consideration and related utilities cost; Shenzhen Xingli has the right to occupy and use the property;

   (ii) the ownership to the land and the buildings and structure are clear and is not subject to any dispute;

   (iii) according to a summary of the Government 4th No. 51 General Meeting mentioned under the Contract for the Grant of State-owned Land Use Rights mentioned in Note 1 above and the Realty Title Certificates mentioned in Note 1 above, the land use rights of the property cannot be transferred or leased;

(iv) therefore, the buildings and structures erected on the land cannot be transferred or leased but can be subject to mortgage;

(v) as Shenzhen Xingli will remain to be the owner of the land use rights of the property upon the completion of Disposal (as defined in this Circular), Shenzhen Xingli will not violate the restrictions on the transfer of the property.

(vi) the court seizure order is made against the owner of the products and equipment who is in financial difficulties, and these products and equipment are not allowed to be moved from the property under the court seizure order without the approval or authorization from the court; and

(vii) the property is subject to mortgage as at the Valuation Date in favour of Pingshan Branch of the Shenzhen Rural Commercial Bank.

7. Since the property is non-transferable, no commercial value was assigned to the property. For information purpose, the value of the land element of the property was nil and the depreciated replacement cost of the building elements of the property as at the Valuation Date was RMB61,200,000.

8. Key Valuation inputs adopted in the DRC valuation of the building element of the property

Depreciated replacement cost = replacement cost new x (remaining life/useful life + residual rate)

Unit Rate of replacement cost new

The factory complex comprises of workshops and dormitory. We adopted the construction unit cost of industrial buildings and multi-storey residential buildings as well as the relevant cost index as published by the Housing and Construction Bureau of Shenzhen Municipality (深圳市住房和建設局). The construction unit cost of industrial building and multi-storey residential buildings, after taking into account the cost index as at April 2024, were RMB2,140 per square metre and RMB2,440 per square metre, respectively.

Useful life and remaining useful life

The factory complex, comprising workshops and dormitory, is assumed to have a useful life of 40 years. We have referred to the data from the cost manual of Marshall & Swift Valuation Service stating that the useful life for the general industrial building ranged from 35 years to 50 years, with a median of 40 years. We have checked against the respective Realty Title Certificates, the majority of the workshop buildings and the dormitory building were completed on 27 November 2009, thus remaining useful life is about 25.49 years. The remaining workshop building was completed on 16 July 2010, which has a remaining useful life of about 26.12 years.

Residual Rate

The residual value represents the scrap value of the building when demolished. We have referred to the cost manual of Marshall & Swift Valuation Service stating that the residual rate for commercial properties ranged from 1% to 3%. We have then adopted the median of 2% for the factory complex.

The replacement cost new of the building element equals the gross floor area of the factory complex, comprising the workshops and dormitory buildings, multiplied by their respective construction unit cost. The gross floor area of the factory complex is from the various Realty Title Certificates. The depreciated replacement cost of the building element is estimated by taking the total replacement cost new and adjusting it based on the remaining useful life and the expected residual rate. The remaining useful life is divided by the useful life, which gives the percentage of the building elements' remaining useful life. The residual rate is then added to this percentage, which represents the portion of the building elements' value that is expected to remain at the end of its useful life. This resulting percentage is then multiplied by the replacement cost new to determine the depreciated replacement cost.

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 enquiries, 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

(a) Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules are as follows:

Long positions in the Shares

Name of Director/ chief executive	Nature of interest	Number of Shares held	Approximate percentage of shareholding *(Note 1)*
Mr. Sung Kai Hing *(Note 2)*	Beneficial owner and interest of a controlled corporation	288,596,777	35.71%
Mr. Cheung Kong Cheung *(Note 3)*	Beneficial owner and interest of a controlled corporation	62,040,465	7.68%
Mr. Kong Hing Ki	Beneficial owner	900,000	0.11%

Notes:

1. Based on 808,096,025 Shares in issue as at the Latest Practicable Date.

2. 29,690,000 Shares were held by Mr. Sung Kai Hing and 258,906,777 Shares were held by King Right Holdings Limited ("**King Right**"), a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. By virtue of the SFO, Mr. Sung Kai Hing is deemed to be interested in the same parcel of Shares in which King Right is interested.

3. 7,200,000 Shares were held by Mr. Cheung Kong Cheung and 54,840,465 Shares were held by United Sino Limited ("**United Sino**"), a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. By virtue of the SFO, Mr. Cheung Kong Cheung is deemed to be interested in the same parcel of Shares in which United Sino is interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares and debentures of the Company and its associate corporations (within the meaning of Part XV of the SFO), which were required to be entered into the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

(b) Substantial Shareholders' interests and short positions in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, the following person (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares

Name	**Capacity**	**Number of Shares**	**Approximate percentage of shareholding** *(Note 1)*	*Note*
King Right	Beneficial owner	258,906,777	32.04%	2
Ms. Wong Wai King	Family interests	288,596,777	35.71%	2
United Sino	Beneficial owner	54,840,465	6.79%	3
Ms. Li Xin	Family interests	62,040,465	7.68%	3
Golden Sunday Limited ("**Golden Sunday**")	Beneficial owner	54,840,465	6.79%	4
Mr. Chan Kwok Kin	Beneficial owner and interest of a controlled corporation	62,040,465	7.68%	4
Ms. Ho Fung Ying	Family interests	62,040,465	7.68%	4
Top Right Trading Limited ("**Top Right**")	Beneficial owner	51,586,293	6.38%	5
Mr. Huang Wei Ye	Beneficial owner and interest of a controlled corporation	58,936,293	7.29%	5
Ms. Ye Jian Qun	Family interests	58,936,293	7.29%	5

Notes:

1. Based on 808,096,025 Shares in issue as at the Latest Practicable Date.

2. King Right is a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. Ms. Wong Wai King is the spouse of Mr. Sung Kai Hing and is deemed to be interested in the same parcel of Shares in which Mr. Sung Kai Hing is interested or deemed to be interested by virtue of the SFO.

3. United Sino is a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. Ms. Li Xin is the spouse of Mr. Cheung Kong Cheung and is deemed to be interested in the same parcel of Shares in which Mr. Cheung Kong Cheung is interested or deemed to be interested by virtue of the SFO.

4. 7,200,000 Shares were held by Mr. Chan Kwok Kin and 54,840,465 Shares were held by Golden Sunday. Golden Sunday is a company beneficially wholly-owned by Mr. Chan Kwok Kin. By virtue of the SFO, Mr. Chan is deemed to be interested in the same parcel of Shares in which Golden Sunday is interested. Ms. Ho Fung Ying is the spouse of Mr. Chan Kwok Kin and is deemed to be interested in the same parcel of Shares in which Mr. Chan Kwok Kin is interested or deemed to be interested by virtue of the SFO.

5. 7,350,000 Shares were held by Mr. Huang Wei Ye and 51,586,293 Shares were held by Top Right. Top Right is a company beneficially wholly-owned by Mr. Huang Wei Ye. By virtue of the SFO, Mr. Huang Wei Ye is deemed to be interested in the same parcel of Shares in which Top Right is interested. Ms. Ye Jian Qun is the spouse of Mr. Huang Wei Ye and is deemed to be interested in the same parcel of Shares in which Mr. Huang is interested or deemed to be interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company or the relevant member of the Group within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTEREST IN CONTRACTS AND ARRANGEMENTS

As at the Latest Practicable Date,

(i) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up; and

(ii) none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, neither the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

The Group has not entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material.

8. EXPERTS

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	**Qualifications**
Octal Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the Independent Financial Adviser
Baker Tilly Hong Kong Limited	Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Cap. 588)
LCH (Asia-Pacific) Surveyors Limited	independent professional valuer

Each of the experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter and/or report or the references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group and none of the experts had any interest, either direct or indirect, in any assets which had since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

(i) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(ii) The principal place of business of the Company in Hong Kong is at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

(iii) The Company's share registrar and transfer office in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(iv) The company secretary of the Company is Mr. Wong Kit Wai, who is a fellow member of the Hong Kong Chartered Governance Institute and a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), the United Kingdom.

(v) The English text of this circular and the accompanying forms of proxy shall prevail over the Chinese text in case of inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hingleehk.com.hk) for a period of 14 days from the date of this circular:

(i) the Sale and Purchase Agreement;

(ii) the letter of advice issued by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;

(iii) the report on the unaudited pro forma financial information of the Target Group issued by Baker Tilly, as set out in Appendix III to this circular;

(iv) the Valuation Report of the Target Properties prepared by LCH (Asia-Pacific) Surveyors Limited as set out in Appendix IV to this circular;

(v) the written consent of the experts referred to in the paragraph headed "8. Experts" in this appendix;

(vi) the annual reports of the Company for the three years ended 31 December 2023;

(vii) this circular.

Hing Lee (HK) Holdings Limited
興利（香港）控股有限公司

(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability)
(Stock code: 396)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of Hing Lee (HK) Holdings Limited (the "**Company**") will be held at Unit 1101, 11/F, Delta House, 3 On Yiu Street, Shatin, N.T., Hong Kong on Friday, 16 August 2024 at 10:30 a.m. to consider and, if thought fit, pass with or without amendments, the following resolutions:

ORDINARY RESOLUTION

1. "**THAT** the Sale and Purchase Agreement (as defined in the circular of the Company dated 26 July 2024 (the "**Circular**")) (a copy of the Circular marked "A" together with a copy of the Sale and Purchase Agreement marked "B" being tabled before the meeting and initialed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and the directors of the Company be and are hereby authorized to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder."

SPECIAL RESOLUTION

2. "**THAT**, subject to and conditional upon compliance with section 46(2) of the Companies Act 1981 of Bermuda (as amended) to effect the cancellation of the share premium account referred to below and with effect from the date of passing this special resolution or upon the day on which the above condition is fulfilled (whichever is later) (the "**Effective Date**"):

    (a) the entire amount standing to the credit of the share premium account of the Company as at the Effective Date be and is hereby reduced to nil so that the amount of the share premium on the Effective Date as last determined by the Company of HK$176,627,000 be reduced by an amount of HK$176,627,000 to Nil (the "**Share Premium Cancellation**");

(b) the board of directors of the Company (the "**Board**") be and is hereby authorised to apply part of the credit arising from the Share Premium Cancellation to eliminate in full the accumulated losses of the Company as at the Effective Date and the remaining balance (if any) of the credit arising therefrom be credited to the contributed surplus account of the Company and the Board be and is hereby authorised to use the amount then standing to the credit of the contributed surplus account in any manner as may be permitted under the bye-laws of the Company and all applicable laws, including, without limitation, eliminating or setting off the accumulated losses of the Company or paying dividend or making other distributions from time to time without further authorisation from the shareholders of the Company and all such actions in relation thereto be approved, confirmed and ratified; and

(c) the Board be and is hereby authorised to do all such acts and things and execute all documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the foregoing and the transactions contemplated thereunder.

ORDINARY RESOLUTION

3. "**THAT** subject to the passing of the special resolution numbered 2 above and the Share Premium Cancellation having become effective, the completion of the Disposal (as defined in the Circular), the Directors being satisfied that there are no reasonable grounds for believing that the Company is, or would after the date on which the Special Dividend (as defined below) is paid be, unable to pay its liabilities as they become due, or the realisable value of the Company's assets would thereby be less than its liabilities, and the Company having complied with all the requirements under the laws of the Bermuda, the bye-laws of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited regarding the payment of the Special Dividend, the payment of a special dividend of HK7.51 cents per share of the Company (the "**Special Dividend**") in cash out of the contributed surplus account of the Company to shareholders of the Company as recorded in the register of members of the Company on a record date to be fixed by the Board for determining the entitlements to the Special Dividend be and is hereby approved and the Board be and is hereby authorised to do all acts and things and to take such steps and to execute such further documents as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the payment of the Special Dividend."

By Order of the Board
HING LEE (HK) HOLDINGS LIMITED
Wong Kit Wai
Company Secretary

Hong Kong, 26 July 2024

Notes:

(a) Any member of the Company (the "**Member**") entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote in his stead. Votes may be given either personally or by a duly authorized corporate representative or by proxy. A Member who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion provided that, 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. A proxy need not be a Member. In addition, a proxy or proxies representing either an individual Member or a Member which is a corporation, shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.

(b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.

(c) The instrument appointing a proxy to vote shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit.

(d) A form of proxy for the meeting is enclosed. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority shall be deposited at 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 fixed for holding the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude of a Member from attending and voting in person at the meeting and in such event, the form of proxy shall be deemed to be revoked.

(e) In order to determine the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 13 August 2024 to Friday, 16 August 2024, both days inclusive, during which period the registration of Shares will be suspended. All completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at 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 August 2024.

(f) If tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal or "extreme conditions" as announced by the Hong Kong Government is in force in Hong Kong at or after 9:30 a.m. on the date of the Special General Meeting, the meeting will be postponed or adjourned in accordance with the bye-laws of the Company. The Company will post an announcement on the respective websites of the Company and The Stock Exchange of Hong Kong Limited to notify shareholders of the Company of the date, time and venue of the rescheduled meeting.