THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in EverChina Int'l Holdings Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤 中 國 際 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

(1) MAJOR AND CONNECTED TRANSACTIONS;
AND
(2) NOTICE OF GENERAL MEETING

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

Lego Corporate Finance Limited
力高企業融資有限公司

A letter from the board of directors of EverChina Int'l Holdings Company Limited (the "**Company**") is set out on pages 5 to 20 of this circular. A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 46 of this circular.

A notice convening the general meeting of the Company to be held at Unit 1506, 15/F., Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong on 20 October 2022, at 10:30 a.m. is set out on pages 57 to 59 of this circular. A form of proxy for use at the general meeting of the Company is enclosed with this circular.

Whether or not you are able to attend the general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with instructions printed thereon and return it to the share registrar of the Company, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, No.16 Harcourt Road, Hong Kong as soon as possible but in any event not later than 48 hours before the time for holding the general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the general meeting of the Company or any adjournment thereof should you so wish.

23 September 2022

CONTENTS

The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the GM to protect attending Shareholders, staff and stakeholders from the risk of infection:

(i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius will be denied entry into the meeting venue or be required to leave the meeting venue.

(ii) Compulsory wearing of surgical face mask by all attendees throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.

(iii) No refreshment will be served, and there will be no corporate gift.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the GM venue or require any person to leave the GM venue so as to ensure the health and safety of the attendees at the GM.

In addition, the Company reminds all Shareholders that attendance in person at the GM is not compulsory for the purpose of exercising voting rights. Shareholders may appoint the chairman of the GM as their proxy to vote on the relevant resolution(s) at the GM instead of attending the GM in person, by completing and returning the proxy form attached to this circular. Alternatively, the form of proxy can be downloaded from the Company's website at www.everchina202.com.hk and the HKEXnews website at www.hkexnews.hk. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

Subject to the development of COVID-19, the Company may be required to change the GM arrangements at short notice. Shareholders should check the Company's website for further announcements and updates on the GM arrangements.

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

"2021 Guidelines"	the 上海證券交易所公司股份轉讓業務辦理指引（2021）(the 2021 amendments to guidelines of transfer of shares listed on the Shanghai Stock Exchange*) published by the Shanghai Stock Exchange on 21 August 2021
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	EverChina Int'l Holdings Company Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Disposal
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the aggregate consideration of RMB577,373,750 (equivalent to approximately HK$678,414,000) in relation to the Disposal
"CSDC"	中國證券登記結算有限責任公司 (China Securities Depository and Clearing Corporation Limited*)
"Director(s)"	directors of the Company
"Disposal"	the disposal by Interchina Tianjin of the Sale Shares pursuant to the terms and conditions of the Disposal Agreements
"Disposal Agreement 1"	the disposal agreement dated 9 August 2022 entered into between Interchina Tianjin and Mr. Jiang in relation to the disposal of 100,000,000 Heilongjiang Shares by Interchina Tianjin
"Disposal Agreement 2"	the disposal agreement dated 9 August 2022 entered into between Interchina Tianjin and Shanghai Pengxin in relation to the disposal of 127,312,500 Heilongjiang Shares by Interchina Tianjin
"Disposal Agreements"	collectively, the Disposal Agreement 1 and the Disposal Agreement 2

"Existing Loan"	the aggregate amount of RMB536,053,333.34 (equivalent to approximately HK$629,863,000) owing from Interchina Tianjin to Shanghai Pengxin which is non-interest bearing, unsecured and repayable on demand
"GM"	the general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal Agreements and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Heilongjiang Interchina"	黑龍江國中水務股份有限公司 (Heilongjiang Interchina Water Treatment Company Limited*), a company established in the PRC and its shares are listed on the Shanghai Stock Exchange (stock code:600187)
"Heilongjiang Shares"	the shares in the share capital of Heilongjiang Interchina
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all independent non-executive Directors established to provide recommendation to the Independent Shareholders in relation to the Disposal Agreements and the transactions contemplated thereunder
"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Disposal Agreements and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholders other than the Purchasers and their respective associates
"Interchina Tianjin"	國中(天津)水務有限公司 (Interchina (Tianjin) Water Treatment Company Limited*), a company established in the PRC and is a wholly-owned subsidiary of the Company
"Latest Practicable Date"	16 September 2022, being the latest practicable date prior to the bulk-printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Jiang"	Mr. Jiang Zhaobai, (an executive Director, the chairman of the Company and a substantial Shareholder)
"PRC"	the People's Republic of China (which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Purchasers"	Mr. Jiang and Shanghai Pengxin
"Sale Shares"	an aggregate of 227,312,500 Heilongjiang Shares that are not subject to selling restrictions
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Pengxin"	上海鵬欣(集團)有限公司 (Shanghai Pengxin (Group) Co., Ltd.*), a company established in the PRC and is owned as to 99% by Mr. Jiang
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"working day(s)"	the trading day(s) of stocks on the stock market of the PRC, being Monday to Friday (other than Saturday, Sunday and public holiday)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

In this circular, US$ are converted into HK$ on the basis of US$1 = HK$7.8 and RMB are converted into HK$ on the basis of RMB1 = HK$1.175 for illustrative purpose.

* *For identification purpose only*

EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤 中 國 際 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

Executive Directors:
Mr. Jiang Zhaobai
Mr. Lam Cheung Shing, Richard
Mr. Chen Yi, Ethan

Independent non-executive Directors:
Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Mr. Ng Ge Bun

Registered office:
Unit 1506, 15th Floor
Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

23 September 2022

To the Shareholders,

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTIONS; AND (2) NOTICE OF GENERAL MEETING

INTRODUCTION

On 9 August 2022 (after trading hours of the Stock Exchange), Interchina Tianjin, a wholly-owned subsidiary of the Company, entered into (i) the Disposal Agreement 1 with Mr. Jiang, pursuant to which Interchina Tianjin has conditionally agreed to sell and Mr. Jiang has conditionally agreed to acquire 100,000,000 Sale Shares at an aggregate consideration of RMB254,000,000 (equivalent to approximately HK$298,450,000); and (ii) the Disposal Agreement 2 with Shanghai Pengxin, pursuant to which Interchina Tianjin has conditionally agreed to sell and Shanghai Pengxin has conditionally agreed to acquire 127,312,500 Sale Shares at an aggregate consideration of RMB323,373,750 (equivalent to approximately HK$379,964,000).

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, which is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Jiang is a substantial Shareholder, an executive Director and the chairman of the Company. As at the Latest Practicable Date, Shanghai Pengxin was owned as to 99% by Mr. Jiang and as to 1% by Mr. Jiang Lei, Mr. Jiang's brother. Thus it is an associate of Mr. Jiang. Accordingly, the Purchasers are regarded as connected persons of the Company under Chapter 14A of the Listing Rules. The Disposal therefore also constitutes a connected transaction of the Company, which is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Disposal; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the GM; and (v) other information as required under the Listing Rules.

THE DISPOSAL AGREEMENTS

Date:	9 August 2022 (after trading hours of the Stock Exchange)	
	Disposal Agreement 1	**Disposal Agreement 2**
Parties:		
Vendor:	Interchina Tianjin, a wholly-owned subsidiary of the Company	Interchina Tianjin, a wholly-owned subsidiary of the Company
Purchaser:	Mr. Jiang	Shanghai Pengxin
	Mr. Jiang, an executive Director and the chairman of the Company, was interested in 1,742,300,000 Shares, representing approximately 23.89% of the issued Shares as at the Latest Practicable Date. Thus, he is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, Mr. Jiang was also interested in 198,310,900 Heilongjiang Shares that are subject to selling restrictions, representing approximately 12.29% of Heilongjiang Interchina's issued share capital (including shares that are (i) not subject to selling restrictions; and (ii) subject to selling restrictions) as at the Latest Practicable Date.	As at the Latest Practicable Date, Shanghai Pengxin was owned as to 99% by Mr. Jiang and as to 1% by Mr. Jiang Lei, Mr. Jiang's brother. Shanghai Pengxin is an associate of Mr. Jiang and a connected person of the Company under Chapter 14A of the Listing Rules. According to Shanghai Pengxin, it is principally engaged in real estate development, investment in mining, agriculture and strategy investment. As at the Latest Practicable Date, Shanghai Pengxin did not hold any Shares or Heilongjiang Shares.

Assets to be disposed of:	100,000,000 Heilongjiang Shares, representing approximately 6.20% of Heilongjiang Interchina's issued share capital (including shares that are (i) not subject to selling restrictions; and (ii) subject to selling restrictions) as at the Latest Practicable Date.	127,312,500 Heilongjiang Shares, representing approximately 7.89% of Heilongjiang Interchina's issued share capital (including shares that are (i) not subject to selling restrictions; and (ii) subject to selling restrictions) as at the Latest Practicable Date.
Consideration:	RMB254,000,000 (equivalent to approximately HK$298,450,000), representing RMB2.54 (equivalent to approximately HK$2.98) per Sale Share	RMB323,373,750 (equivalent to approximately HK$379,964,000), representing RMB2.54 (equivalent to approximately HK$2.98) per Sale Share
Payment terms:	As at the Latest Practicable Date, Interchina Tianjin was indebted to Shanghai Pengxin in the aggregate amount of RMB536,053,333.34 (equivalent to approximately HK$629,863,000) which is non-interest bearing, unsecured and repayable on demand (being the Existing Loan).	
	Immediately before Completion, Shanghai Pengxin shall assign to Mr. Jiang part of the Existing Loan in the amount of RMB254,000,000 (equivalent to approximately HK$298,450,000) at its face value ("**Mr. Jiang Loan**").	Immediately after the assignment of Mr. Jiang Loan, Interchina Tianjin shall owe Shanghai Pengxin a total of RMB282,053,333.34 (equivalent to approximately HK$331,413,000) ("**Shanghai Pengxin Loan**").
	Upon Completion, the consideration of RMB254,000,000 (equivalent to approximately HK$298,450,000) shall be set-off against Mr. Jiang Loan on a dollar-for-dollar basis.	Upon Completion, (i) part of the consideration of RMB282,053,333.34 (equivalent to approximately HK$331,413,000) shall be set-off against the the Shanghai Pengxin Loan on a dollar-for-dollar basis; and (ii) the remaining consideration of RMB41,320,416.66 (equivalent to approximately HK$48,551,000) shall be paid in cash by Shanghai Pengxin.
	After Completion, the Existing Loan will be fully paid off.	

Save for the identity of each of the Purchasers, the number of Sale Shares to be acquired by each of the Purchasers, the consideration to be paid by each of the Purchasers and the payment terms as set out above, the principal terms of the Disposal Agreement 1 and the Disposal Agreement 2 are identical and are summarised below:

Conditions precedent

Completion is subject to the fulfilment of the following conditions precedent:

(1) the confirmation from the Shanghai Stock Exchange in relation to the signing of the Disposal Agreements having been obtained;

(2) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the GM to approve the Disposal Agreements and the transactions contemplated thereunder;

(3) all conditions precedent (save for the condition precedent relating to this condition precedent) of the Disposal Agreement 1 or the Disposal Agreement 2 (as the case may be) having been fulfilled; and

(4) all obligations on the part of the Purchasers under the Disposal Agreements having been performed and there being no breach of the warranties and undertakings given by the Purchasers in the Disposal Agreements and such warranties and undertakings having remained not misleading in all material respects.

None of the above conditions precedent can be waived. In the event the conditions precedent above are not satisfied on or before 30 November 2022 or such other date as the Purchasers and Interchina Tianjin may agree in writing, the Disposal Agreements shall terminate automatically. Neither party to the Disposal Agreements shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms hereof. In the event that the parties fail to fulfill any of the abovementioned conditions precedent (including but not limited to condition precedent (1) of the confirmation from the Shanghai Stock Exchange), the Company will re-evaluate to hold the Sale Shares or consider other disposal plans.

The Disposal Agreements are inter-conditional on each other. After signing of the Disposal Agreements, the Purchasers and Interchina Tianjin shall make an application to the Shanghai Stock Exchange in relation to the Disposal Agreements for approval in accordance with relevant rules and regulations, including the requirements under the 2021 Guidelines.

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

Basis of Consideration

The Consideration, being an aggregate of RMB577,373,750 (equivalent to approximately HK$678,414,000), representing RMB2.54 (equivalent to approximately HK$2.98) per Sale Share, was determined after arm's length negotiations between Interchina Tianjin and the Purchasers with reference to the recent trading price of Heilongjiang Shares on the Shanghai Stock Exchange.

The Consideration of RMB2.54 (equivalent to approximately HK$2.98) per Sale Share represents:

(i) a discount of 3.79% to the closing price of RMB2.64 (equivalent to approximately HK$3.10) per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange on 9 August 2022, being the date of the Disposal Agreements;

(ii) the average closing price of RMB2.54 (equivalent to approximately HK$2.98 per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange for the last five consecutive trading days immediately prior to the date of the Disposal Agreements;

(iii) a discount of 2.46% to the average closing price of RMB2.604 (equivalent to approximately HK$3.06) per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Disposal Agreements; and

(iv) a premium of approximately 24.5% over the unaudited consolidated net asset value per Heilongjiang Share attributable to the Heilongjiang Interchina shareholders as at 31 March 2022 of approximately RMB2.04 (equivalent to approximately HK$2.40) per Heilongjiang Share (computed by dividing the unaudited consolidated net asset value attributable to the Heilongjiang Interchina shareholders as at 31 March 2022 of approximately RMB3,298,100,000 (equivalent to approximately HK$3,875,268,000) by the number of issued Heilongjiang Shares of 1,613,781,103 as at the Latest Practicable Date).

Notwithstanding the Consideration of RMB2.54 per Sale Share represents discounts of approximately 3.79%, 2.46% and 3.79% to the closing price per Heilongjiang Share on the date of the Disposal Agreements, the average closing price per Heilongjiang Shares for the last 10 and 20 consecutive trading days immediately prior to the date of the Disposal Agreements, respectively, in light of (i) the fact that the Consideration per Sale Share represents a premium of approximately 24.5% over the unaudited consolidated net asset value per Heilongjiang Share attributable to the shareholders as at 31 March 2022; (ii) the disposal of a substantial amount of Sale Shares via the bulk-volume trading system in the market would likely bring a negative impact on the trading price of Heilongjiang Shares given the thin trading liquidity, while the Purchasers are willing to take up the Sale Shares in one lot at a fixed price; and (iii) the overall downward trend of the trading price of Heilongjiang Shares during the past five years leading to the recognition of substantial unrealised loss of the Group which attributed to a majority of the aggregate losses of the Group for the past five years since 2018, the Board is of the view that the Consideration per Sale Share is fair and reasonable.

The Board is of the view that the terms of the Disposal Agreements (including the Consideration) are fair and reasonable, which are in the interests of the Company and the Independent Shareholders as a whole.

Completion

Completion of all Disposal Agreements shall take place simultaneously on the fifth working day (or such other date as may be agreed in writing by the parties thereto) after all conditions precedent have been satisfied. Unless simultaneous completion of all Disposal Agreements takes place, Interchina Tianjin is not under any obligation to sell the Sale Shares.

On the date of Completion, Interchina Tianjin shall make applications to CSDC in order to deliver the Sale Shares to the Purchasers through CSDC.

INFORMATION OF HEILONGJIANG INTERCHINA

Heilongjiang Interchina is principally engaged in sewage water treatment, water supply and the provision of environmental technology services, and the Heilongjiang Shares that are not subject to selling restrictions are listed on the Shanghai Stock Exchange.

As at the Latest Practicable Date, Interchina Tianjin was interested in 227,312,500 Heilongjiang Shares that are not subject to selling restrictions (being the Sale Shares), representing approximately 14.09% of Heilongjiang Interchina's issued share capital (including shares that are (i) not subject to selling restrictions; and (ii) subject to selling restrictions) as at the Latest Practicable Date.

As at the Latest Practicable Date, Mr. Jiang was also interested in 198,310,900 Heilongjiang Shares that are subject to selling restrictions, representing approximately 12.29% of Heilongjiang Interchina's issued share capital (including shares that are (i) not subject to selling restrictions; and (ii) subject to selling restrictions) as at the Latest Practicable Date. After Completion, the Group will cease to hold any interests in Heilongjiang Interchina.

Set out below is a summary of the consolidated financial information of Heilongjiang Interchina for the two years ended 31 December 2021 and for the three months ended 31 March 2022, which was prepared in accordance with PRC accounting standard:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the three months ended 31 March 2022
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Profit/(loss) before taxation	59,757	(116,659)	(7,182)
Profit/(loss) after taxation	27,292	(93,541)	(10,300)

The audited consolidated net assets of Heilongjiang Interchina as at 31 December 2020 and 2021 were approximately RMB3,445,691,000 (equivalent to approximately HK$4,048,687,000) and RMB3,329,298,000 (equivalent to approximately HK$3,911,925,000) respectively. As at 31 March 2022, the unaudited consolidated net assets of Heilongjiang Interchina amounted to approximately RMB3,314,508,000 (equivalent to approximately HK$3,894,547,000).

The unaudited consolidated total assets of Heilongjiang Interchina as at 31 March 2022 amounted to approximately RMB4,790,318,000 (equivalent to approximately HK$5,628,624,000), which mainly consisted of:

(i) approximately RMB1,063,870,000 (equivalent to approximately HK$1,250,147,000) of intangible assets, mainly representing service concessions arrangements of sewage and water supply projects operated by Heilongjiang Interchina;

(ii) approximately RMB650,000,000 (equivalent to approximately HK$763,750,000) of asset management plan;

(iii) approximately RMB659,988,000 (equivalent to approximately HK$775,486,000) of cash and cash equivalents;

(iv) approximately RMB454,574,000 (equivalent to approximately HK$534,124,000) of other receivables;

(v) approximately RMB309,624,000 (equivalent to approximately HK$363,807,000) of account receivables;

(vi) approximately RMB346,374,000 (equivalent to approximately HK$406,989,000) of assets held for sale; and

(vii) approximately RMB139,290,000 (equivalent to approximately HK$163,666,000) of fixed assets.

The unaudited consolidated total liabilities of Heilongjiang Interchina as at 31 March 2022 amounted to approximately RMB1,475,810,000 (equivalent to approximately HK$1,734,078,000), which mainly consisted of:

(i) approximately RMB685,614,000 (equivalent to approximately HK$805,596,000) of advance payment;

(ii) approximately RMB174,107,000 (equivalent to approximately HK$204,576,000) of long term borrowing;

(iii) approximately RMB161,714,000 (equivalent to approximately HK$190,014,000) of liabilities held for sale;

(iv) approximately RMB157,974,000 (equivalent to approximately HK$185,619,000) of account payables; and

(v) approximately RMB131,131,000 (equivalent to approximately HK$154,079,000) of other payables.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in the property investment operation, hotel operation, agricultural operation and securities investment and financing operation.

The Group's initial acquisition of Heilongjiang Interchina

The Company first announced in August 2007 its intended acquisition of approximately 70.21% equity interests in Heilongjiang Interchina, an A share company listed on the Shanghai Stock Exchange which was then subject to formal suspension of trading in its shares, and was in the process of submitting resumption proposals to the Shanghai Stock Exchange to resume the trading in its shares. It was intended that, upon Heilongjiang Interchina's resumption of trading in its shares, it would acquire water projects and be engaged in the relevant operations. At that time, the Group was engaged in, among other things, investment in environmental and water treatment operation in the PRC. As set out in the Company's circular dated 31 January 2008 in relation to such acquisition, the Group could use Heilongjiang Interchina as a platform to pursue more investments in the PRC, which might generate new growth potentials to the Group, and to further expand the Group's business, including but not limited to the water treatment operations. Such acquisition was completed in January 2009, whereupon Heilongjiang Interchina became a non-wholly owned subsidiary of the Company. As set out in the Company's annual report for year ended 31 March 2009, after its resumption of trading in shares, Heilongjiang Interchina acquired two water supply projects in Shaanxi Province and one sewage treatment project in Qinghai Province, thus giving the Group the opportunity to further expand the development in the environmental protection and water treatment operation. Throughout the 13 years between the Group's acquisition of Heilongjiang Interchina and the Latest Practicable Date, Heilongjiang

Interchina had conducted numerous equity fund raising and capital restructuring, and the Group had realised its investment on various occasions, whereupon the Group's interests had been gradually diluted and reduced to the current approximate 14.09%.

The average investment cost of the Sale Shares was approximately RMB1.09 (equivalent to approximately HK$1.31) per Heilongjiang Share.

The 2021 Disposal

Reference is made to the Company's (i) announcement dated 27 May 2021; (ii) circular dated 26 July 2021; (iii) announcement dated 1 November 2021; and (iv) announcement dated 29 November 2021, in relation to, among other matters, the major and connected transactions of the Company regarding the disposal (the "**2021 Disposal**") of the Sale Shares at the aggregate consideration of RMB534,184,375 (equivalent to approximately HK$643,585,000), to (1) Mr. Jiang, (2) Mr. Jiang Lei (the brother of Mr. Jiang) and (3) Shanghai Pengxin (together, the "**2021 Disposal Purchasers**") pursuant to disposal agreements entered into by Interchina Tianjin and each of the 2021 Disposal Purchasers on 27 May 2021 (the "**2021 Disposal Agreements**"), the extension of the long stop date; and the termination of the 2021 Disposal.

The 2021 Disposal was conditional upon, among other things (i) the confirmation from the Shanghai Stock Exchange in relation to the signing of the 2021 Disposal Agreements; and (ii) the passing of the necessary resolution(s) by the Independent Shareholders at the Company's general meeting to approve the 2021 Disposal Agreements and the transactions contemplated thereunder. None of the conditions precedent to the 2021 Disposal could be waived. The Independent Shareholders' approval was obtained at the general meeting held on 3 September 2021.

However, while making the relevant application to the Shanghai Stock Exchange for its confirmation of the 2021 Disposal Agreements, the Group had been advised that the Shanghai Stock Exchange had issued the 2021 Guidelines (which as dated 21 August 2021, i.e. after the date of the 2021 Disposal Agreements). Pursuant to the 2021 Guidelines, among other things, each single transfer of shares listed on the Shanghai Stock Exchange to be approved by the Shanghai Stock Exchange should be not less than 5% of the issued share capital of a listed issuer listed on the Shanghai Stock Exchange.

The number of Heilongjiang Shares contemplated to be disposed to each of Mr. Jiang and Mr. Jiang Lei under the 2021 Disposal represented approximately 3.09% and 3.05% of the then issued shares capital of Heilongjiang Interchina respectively. As each of the percentage proposed to be transferred was less than 5%, the confirmation from the Shanghai Stock Exchange in relation to the 2021 Disposal could not be obtained. In light of the above, Interchina Tianjin and each of the 2021 Disposal Purchasers entered into termination agreements on 29 November 2021 to terminate the 2021 Disposal.

As regards the Disposal, it is also conditional upon, among other things, the confirmation from the Shanghai Stock Exchange in relation to the signing of the Disposal Agreements. As the structure contemplated under the Disposal complied with the requirement of the 2021 Guidelines, in that the percentage of the Heilongjiang Shares proposed to be disposed of to each of the Purchasers, being Mr. Jiang and Shanghai Pengxin, is higher than 5%, the Company and the Purchasers are confident that confirmation from the Shanghai Stock Exchange in relation to the signing of the Disposal Agreements could be obtained. The Company understands and has confirmed with the management of Heilongjiang Interchina, that apart from the 2021 Guidelines, there are no other regulatory restrictions the Company has to address in relation to the Disposal. In the unlikely event that the Group should fail to obtain the confirmation from the Shanghai Stock Exchange, the Company would continue to hold the Sale Shares and might seek out other disposal plans.

Investment in the Sale Shares

The Group recognised its investment in the Sale Shares as financial assets at fair value through profit or loss. In accordance with the Group's accounting principles, financial assets at fair value through profit or loss are stated at fair value at the end of each financial reporting period. As disclosed in the Group's annual report for the year ended 31 March 2022, the carrying value of the Sale Shares amounted to approximately RMB541,004,000 (equivalent to approximately HK$667,906,000 as at 31 March 2022), representing approximately RMB2.38 (equivalent to approximately HK$2.94 as at 31 March 2022) per Heilongjiang Share that was not subject to selling restrictions.

The investment in the Sale Shares has brought upon negative impact to the Group's performance. The highest trading price per Heilongjiang Share reached RMB11.19 (equivalent to approximately HK$13.16) on 4 June 2015 while the lowest trading price per Heilongjiang Share was RMB2.01 (equivalent to approximately HK$2.36) on 27 April 2022. Due to continuing decrease in the trading price of Heilongjiang Shares, the Group recognised a substantial unrealised loss for the investment. In the past five years, the Group recognised aggregate unrealised net loss of approximately HK$907,897,000 arising on change in fair value of the Sale Shares, representing approximately 39.8% of the aggregate losses of approximately HK$2,283,671,000 for the past five years since 2018. No dividend income has been received from the investment in the Sale Shares. Summary of the fair value (gain) or loss recognised from the Sale Shares is set out as follows:

Financial Year	**Fair value (gain) or loss recognised from the Sale Shares**	**Net loss of the Company**
	HK$'000	*HK$'000*
2018	328,340	775,873
2019	320,912	604,960
2020	282,878	529,111
2021	(93,116)	135,091
2022	68,883	238,636
Total	907,897	2,283,671

Having considered (i) the Consideration of RMB577,373,750 (equivalent to approximately HK$678,414,000) is higher than that of the 2021 Disposal of RMB534,184,375 (equivalent to approximately HK$627,667,000); (ii) the Disposal would bring upon an estimated gain on Disposal (exclusive of transaction costs and tax) of approximately RMB36,370,000 (equivalent to approximately HK$42,735,000) as further detailed in the section headed "Financial effects" below (whereupon the 2021 Disposal would have brought upon an estimated loss on disposal of approximately HK$76,694,000 as set out in the Company's circular dated 26 July 2021); (iii) the Group's unaudited consolidated liabilities could be reduced by approximately HK$629,863,000 from approximately HK$895,863,000 as at 31 July 2022 (being the latest practicable date for the purpose of the statement of indebtedness set out in Appendix I to this circular) to approximately HK$266,000,000; and (iv) a net cash inflow of approximately RMB41,320,000 (equivalent to approximately HK$48,551,000), being the remaining Consideration after set-off of the Existing Loan (whereupon upon settlement of the 2021 Disposal consideration (also by way of set-off against loan due to the 2021 Disposal Purchasers), the Group would have still been indebted to Shanghai Pengxin in the amount of RMB249,368,958.34 (equivalent to approximately HK$293,009,000)), the Directors consider conducting the Disposal at this material time is in the interest of the Company and the Independent Shareholders as a whole.

Business of Heilongjiang Interchina

The Board further noted that the business of Heilongjiang Interchina has been weakening in recent years:

For the year ended 31 December 2019, Heilongjiang Interchina recorded total operating income of approximately RMB537,836,000 (equivalent to approximately HK$631,957,000), profit for the year of approximately RMB22,445,000 (equivalent to approximately HK$26,373,000) and net asset value of approximately RMB3,452,081,000 (equivalent to approximately HK$4,056,195,000). Heilongjiang Interchina operated 13 sewage and water supply projects with aggregate daily processing capacity of approximately 1,050,000 tonnes.

For the year ended 31 December 2020, Heilongjiang Interchina recorded (i) total operating income of approximately RMB379,101,000 (equivalent to approximately HK$445,444,000), representing a decrease of 29.5% as compared to the previous year, (ii) profit for the year of approximately RMB27,292,000 (equivalent to approximately HK$32,068,000), representing an increase of 21.6% as compared to the previous year, and (iii) net asset value of approximately RMB3,445,691,000 (equivalent to approximately HK$4,048,687,000), representing a decrease of 0.19% as compared to the previous year. Heilongjiang Interchina operated 8 sewage and water supply projects with aggregate daily processing capacity of approximately 513,400 tonnes. The decrease in operating income was mainly attributable to the decrease in the aggregate daily processing capacity as a result of disposal of a number of subsidiaries that were engaged in sewage and water supply projects during the year ended 31 December 2020. The increase in profit was mainly attributable to the gain on disposal of water supply and sewage treatment project companies of approximately RMB92,618,000 (equivalent to approximately HK$108,826,000). If this one-off gain was excluded from the profit, Heilongjiang Interchina would have record an adjusted loss of RMB65,326,000 (equivalent to approximately HK$76,758,000) (the "**Adjusted Loss of 2020**") for the year ended 31 December 2020.

For the year ended 31 December 2021, Heilongjiang Interchina recorded (i) total operating income of approximately RMB384,499,000 (equivalent to approximately HK$451,786,000), representing an increase of 1.42% as compared to the previous year, (ii) loss for the year of approximately RMB93,541,000 (equivalent to approximately HK$109,911,000), representing an increase of 43.2% as compared to the Adjusted Loss of 2020 and (iii) net asset value of approximately RMB3,329,298,000 (equivalent to approximately HK$3,911,925,000), representing a decrease of 3.4% as compared to the previous year. Although the operating income for the year was comparable to the previous year, loss increased significantly as compared to the previous year. As noted in the annual report of Heilongjiang Interchina for the year ended 31 December 2021, the financial performance were mainly attributable to the factors mentioned below: (i) the decrease in volume of sewage treatment as compared to the previous year was because part of the sewage treatment plants were then under repair and maintenance; (ii) the gross profit margin of the environmental technology services went below expectation because there was decrease in income as well as increase in cost of services; and (3) the increase in impairment loss on receivables was generated from the disposal of certain equity interest of subsidiaries in prior years.

For the three months ended 31 March 2022, Heilongjiang Interchina recorded (i) operating income of approximately RMB81,372,000 (equivalent to approximately HK$95,612,000), representing a decrease of 13.24% as compared to the same period of the previous year, (ii) loss for the period of approximately RMB10,300,000 (equivalent to approximately HK$12,103,000), representing a decrease of 17.2% as compared to the same period of the previous year and (iii) net asset value of approximately RMB3,314,508,000 (equivalent to approximately HK$3,894,547,000), representing a decrease of 0.4% as compared to RMB3,329,298,000 (equivalent to approximately HK$3,911,925,000) as at the end of last year. As noted from the first quarterly report of Heilongjiang Interchina for the three months ended 31 March 2022, the loss included a non-operating income of approximately RMB18,143,000 (equivalent to approximately HK$21,318,000) mainly representing a gain on disposal of non-current assets of approximately RMB18,007,000 (equivalent to approximately HK$21,158,000). If this one-off gain was excluded from the loss, Heilongjiang Interchina would have recorded an adjusted loss of RMB28,307,000 (equivalent to approximately HK$33,261,000) for the three months ended 31 March 2022, representing an increase of 127.5% as compared to the same period of last year.

During recent years, Heilongjiang Interchina had disposed of a number of subsidiaries that were engaged in sewage treatment and water supply operations. As a result, the aggregate daily treatment capacity decreased by approximately 537,000 tonnes or 51.1% from approximately 1,050,000 tonnes as at 31 December 2017 to approximately 513,000 tonnes as at 31 December 2021. At the same time, Heilongjiang Interchina had proposed two material acquisitions in February 2019 and 10 March 2022 respectively, for the purpose of diversifying its business. However, as disclosed in the announcements of Heilongjiang Interchina on 28 July 2020 and on 23 March 2022, such acquisitions were subsequently terminated respectively.

The Company had considered disposing of the Sale Shares in the market via the bulk-volume trading system of the Shanghai Stock Exchange. However, in view of the average daily trading volume of Heilongjiang Shares on the Shanghai Stock Exchange versus the substantial number of Sale Shares (representing more than 10% of Heilongjiang Interchina's issued share capital) to be disposed of, the Company considered it would be highly unlikely for such disposal to be conducted in one lot or within just one single trading day. If the Group were to dispose of the Sale Shares in the market via different tranches, this would inevitably drive down the trading price of Heilongjiang Shares, which in turn would drive down the sale price of the Sale Shares. Given the Purchasers were willing to acquire the Sale Shares all in one lot at a fixed price with reference to the recent market price, the Company considered this is in the best interests of the Company and the Independent Shareholders as a whole.

The Existing Loan

Mr. Jiang, through Shanghai Pengxin, has been providing unsecured financial support to the Group. As at 30 September 2020, the Group was indebted to Shanghai Pengxin in the aggregate amount of RMB201,120,000 (equivalent to approximately HK$236,316,000) that was non-interest bearing, unsecured and repayable on demand. As at 30 September 2020, the Group had recorded approximately HK$658,966,000 as substantial other borrowings, of which HK$626,966,000 was repayable within three months. In order to repay the matured loan, during the period from 1 October 2020 to 31 January 2021, the Group had further obtained a total advance of RMB582,433,333.34 (equivalent to approximately HK$684,359,000) from Shanghai Pengxin, which was non-interest bearing, unsecured and repayable on demand. Thereafter as at 31 March 2021, the Group's outstanding other borrowings had significantly reduced to HK$33,000,000 while the amount due to Shanghai Pengxin increased to RMB783,553,333.34 (equivalent to approximately HK$920,675,000). During the year ended 31 March 2022, the Group repaid an aggregate of RMB238,000,000 (equivalent to approximately HK$279,650,000) to Shanghai Pengxin.

As at 31 March 2022, the outstanding principal amount due to Shanghai Pengxin was RMB545,553,333.34 (equivalent to approximately HK$641,025,000) was non-interest bearing, unsecured and repayable on demand. During the period from 1 April 2022 to the date of the Disposal Agreements, the Group further repaid an aggregate amount of RMB9,500,000 (equivalent to approximately HK$11,116,000) to Shanghai Pengxin.

As at the Latest Practicable Date, the Group was indebted to Shanghai Pengxin in the aggregate amount of RMB536,053,333.34 (equivalent to approximately HK$629,863,000) that was non-interest bearing, unsecured and repayable on demand (being the Existing Loan). Given the Disposal was made to Shanghai Pengxin and its shareholder, the parties therefore agreed that the Consideration be made payable by way of set-off of the Existing Loan. After Completion, the Existing Loan will be fully settled and the Group shall no longer owe Shanghai Pengxin any amount.

Use of proceeds

The net proceeds (not including any tax payment) amount to RMB576,700,000 (equivalent to approximately HK$677,623,000) from the Disposal. The majority of the net proceeds will be used by the Group to set-off against the Existing Loan upon Completion and the remaining as general working capital.

As at 31 July 2022, other than the Existing Loan, the Group had outstanding other borrowings of approximately HK$266,000,000 denominated in HK$ and/or obtained in Hong Kong, repayable at the beginning of September 2023. The Existing Loan constituted all borrowings of the Group denominated in RMB and/or obtained in the PRC as at 31 July 2022. As (i) the Disposal is to be conducted in the PRC with the subject Sale Shares being shares listed on the Shanghai Stock Exchange; (ii) the proceeds from the Disposal is to be received in the PRC and denominated in RMB; and (iii) there being foreign exchange restrictions, the Directors consider it is reasonable to apply such proceeds from the Disposal to pay off liabilities incurred in the PRC denominated in RMB, being the Existing Loan.

Upon set-off of the Existing Loan, the gearing ratio of the Group would decrease from 30.08% to 11.7%, calculated with reference to the audited financial statements of the Group as at 31 March 2022, effectively reducing the financial risks of the Company.

Having considered (i) the Company's financial operation should not be solely dependent upon Mr. Jiang's financial support which is non-interest bearing and unsecured; and (ii) the Company currently does not have any material capital expenditure and/or transaction that warrant application of the proceeds from the Disposal, the Directors are of the view that the use of proceeds is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

The terms of the Disposal Agreements have been negotiated on an arm's length basis and the Disposal was entered into in the ordinary and usual course of business of the Group. The Directors consider the terms of the Disposal Agreements are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

FINANCIAL EFFECTS

After the Disposal, the Group will cease to hold any interests in Heilongjiang Interchina.

The excess of the Consideration over the net book value of the Sale Shares as at 31 March 2022 amounts to RMB36,370,000 (equivalent to approximately HK$42,735,000).

Based on the audited carrying amount of the Sale Shares as at 31 March 2022 of RMB541,003,750 (equivalent to approximately HK$635,679,000), and the Consideration of RMB577,373,750 (equivalent to approximately HK$678,414,000), it is estimated that, as a result of the Disposal, the Group will recognise an estimated gain (exclusive of transaction costs and tax) of approximately RMB36,370,000 (equivalent to approximately HK$42,735,000).

As the investment in the Sale Shares is regarded as current assets of the Group, and the Disposal will turn such current assets into receivables from the Purchasers. It is therefore considered that the Disposal would not have any material adverse effect on the total assets and total liabilities of the Group. However, pursuant to the payment terms of the Disposal Agreements, part of the Consideration will be used to set off against Mr. Jiang Loan and the Shanghai Pengxin Loan on a dollar-for-dollar basis, accordingly the total assets of the Group would be decreased by approximately RMB504,633,750 (equivalent to approximately HK$592,945,000) and total liabilities of the Group would be decreased by RMB536,053,333.34 (equivalent to approximately HK$629,863,000).

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, which is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Jiang is a substantial Shareholder, an executive Director and the chairman of the Company. As at the Latest Practicable Date, Shanghai Pengxin was owned as to 99% by Mr. Jiang and as to 1% by Mr. Jiang Lei, Mr. Jiang's brother. Thus it is an associate of Mr. Jiang. Accordingly, the Purchasers are regarded as connected persons of the Company under the Listing Rules. The Disposal therefore also constitutes a connected transaction of the Company which is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Jiang is considered to have a material interest in the Disposal Agreements, he has abstained from voting at the Board meeting approving the Disposal. Save as disclosed above, no other Director has a material interest in the Disposal, and therefore no other Directors is required to abstain from voting on the Board resolution in relation to the Disposal.

As at the Latest Practicable Date, (i) Mr. Jiang was interested in 1,742,300,000 Shares, representing approximately 23.89% of the issued Shares; and (ii) Shanghai Pengxin did not hold any Shares. The Purchasers and their respective associates shall abstain from voting on the relevant resolutions in relation to the Disposal Agreements and the transactions contemplated thereunder at the GM.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Disposal. The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Disposal Agreements are fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

GM

A notice convening the GM to be held at Unit 1506, 15/F., Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong at 10:30 a.m. on Thursday, 20 October 2022 is set out on pages 57 to 59 of this circular.

A form of proxy for use by the Shareholders at the GM is enclosed with this circular. Whether or not you intend to attend and vote at the GM in person, you are requested to complete the form of proxy and return it to the office of the Company's share registrar, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, No.16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the GM or any adjourned meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the GM or any adjourned meeting should you so wish.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the GM, the register of members of the Company will be closed from Monday, 17 October 2022 to Thursday, 20 October 2022, both dates inclusive, during which period, no transfer of shares of the Company will be registered. To be eligible to attend and vote at the GM, all transfer of Shares accompanied by the relevant share certificates must be deposited at the Company's share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not later than 4:30 p.m. on Friday, 14 October 2022.

An announcement will be made by the Company after the GM regarding the results of the GM pursuant to the requirements of the Listing Rules.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 21 to 22 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 46 of this circular in connection with the Disposal.

The Directors (including the Independent non-executive Directors whose view is expressed in the letter from the Independent Board Committee set out on pages 21 to 22 of this circular) consider the terms of the Disposal Agreements are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the GM to approve the Disposal Agreements and the transactions contemplated thereunder.

FURTHER INFORMATION

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

Yours faithfully,
for and on behalf of
the board of Directors
Lam Cheung Shing, Richard
Chief Executive Officer and Executive Director

* *For identification only*

EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤中國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

23 September 2022

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 23 September 2022 (the "**Circular**") of EverChina Int'l Holdings Company Limited (the "**Company**") of which this letter forms part. Terms used in this letter shall have the meaning as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise you as to whether the terms of the Disposal Agreements are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Disposal Agreements is in the interests of the Company and the Shareholders as a whole. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Disposal Agreements.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 20 of the Circular and the letter from Lego Corporate Finance Limited as set out on pages 23 to 46 of the Circular which contain, among other things, their advice, recommendations to us regarding the terms of the Disposal Agreements and the principal factors and reasons taken into consideration for their advice and recommendations.

RECOMMENDATIONS

Having taken into account the advice and recommendations of Lego Corporate Finance Limited and the principal factors and reasons taken into consideration by them in arriving at their opinion, we consider that the entering into of the Disposal Agreements is in the ordinary and usual course of business of the Group, and the terms of the Disposal Agreements are on normal commercial terms, and are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the GM to approve the Disposal Agreements and the transactions contemplated thereunder.

Yours faithfully,

Mr. Ho Yiu Yue, Louis **Mr. Ko Ming Tung, Edward** **Mr. Ng Ge Bun**
Independent Board Committee

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

Lego Corporate Finance Limited
力高企業融資有限公司

23 September 2022

To: The Independent Board Committee and the Independent Shareholders of EverChina Int'l Holdings Company Limited

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal Agreements and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 23 September 2022 (the "**Circular**"), of which this letter forms apart. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 9 August 2022 (after trading hours of the Stock Exchange), Interchina Tianjin, a wholly-owned subsidiary of the Company, entered into (i) the Disposal Agreement 1 with Mr. Jiang, pursuant to which Interchina Tianjin has conditionally agreed to sell and Mr. Jiang has conditionally agreed to acquire 100,000,000 Sale Shares at an aggregate consideration of RMB254,000,000 (equivalent to approximately HK$298,450,000); and (ii) the Disposal Agreement 2 with Shanghai Pengxin, pursuant to which Interchina Tianjin has conditionally agreed to sell and Shanghai Pengxin has conditionally agreed to acquire 127,312,500 Sale Shares at an aggregate consideration of RMB323,373,750 (equivalent to approximately HK$379,964,000). After Completion, the Group will cease to hold any interests in Heilongjiang Interchina.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, which is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Jiang is a substantial Shareholder, an executive Director and the chairman of the Company. As at the Latest Practicable Date, Shanghai Pengxin is owned as to 99% by Mr. Jiang and as to 1% by Mr. Jiang Lei, Mr. Jiang's brother. Thus it is an associate of Mr. Jiang. Accordingly, the Purchasers are regarded as connected persons of the Company under Chapter 14A of the Listing Rules. The Disposal therefore also constitutes a connected transaction of the Company, which is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The GM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreements and the transactions contemplated thereunder by way of poll. The Purchasers and their respective associates shall abstain from voting at the GM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Ng Ge Bun, has been established to advise the Independent Shareholders as to whether the Disposal is conducted in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole, and as to how to vote in respect of the relevant resolution(s) to be proposed at the GM to approve the Disposal Agreements and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, save for the engagement as the independent financial adviser to the independent board committee and independent shareholder of the Company in respect of the major and connected transactions as stated in the circular of the Company dated 26 July 2021, there was no engagement between the Group and Lego Corporate Finance Limited that would affect our independence. Apart from normal professional fees paid or payable to us in connection with the aforesaid engagement and this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group. Accordingly, we are independent under Rule 13.84 of the Listing Rules and qualified to give independent advice in respect of the terms of the Disposal Agreements and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have reviewed, inter alia, the announcement of the Company in relation to the Disposal, the Disposal Agreements, the annual reports of the Company for the year ended 31 March 2021 (the "**2021 Annual**

Report") and the year ended 31 March 2022 (the "**2022 Annual Report**"), the annual report of Heilongjiang Interchina for the year ended 31 December 2021 and the first quarterly report of Heilongjiang Interchina for the three months ended 31 March 2022. We have also reviewed certain information provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date hereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date thereof and may be relied upon. We have also assumed that all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the GM. The Company shall inform the Independent Shareholders as soon as practicable if there is any material change to such information in accordance with the Listing Rules on or before the date of the GM.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Disposal Agreements and the transactions contemplated thereunder, we have considered the following principal factors and reasons.

1. Financial information on the Group

The Company is an investment holding company. The Group is principally engaged in (i) property investment, being the leasing of rental property in the PRC; (ii) hotel operation in the PRC; (iii) agricultural operation, being agricultural farming and sale of crops and cattle raising and sales of cattle in Bolivia; (iv) securities investment and financing operation in Hong Kong and the PRC; and (v) resources operation, being the mining and production of manganese products in Indonesia.

The following table is a summary of the audited financial information of the Group for the three years ended 31 March 2020, 2021 and 2022 as extracted from the 2021 Annual Report and the 2022 Annual Report, respectively.

	For the year ended 31 March		
	2020	**2021**	**2022**
	HK$' million	*HK$' million*	*HK$' million*
	(audited)	*(audited)*	*(audited)*
Revenue			
Property investment operation	47.8	31.9	31.3
Hotel operation	27.7	36.5	36.7
Agricultural operation	61.6	58.7	81.4
Securities investment and financing operation	—	—	—
Resources operation	—	—	—
Total	**137.2**	**127.1**	**149.3**
Loss for the year attributable to the Shareholders	**(529.1)**	**(135.1)**	**(233.4)**

	As at 31 March		
	2020	**2021**	**2022**
	HK$' million	*HK$' million*	*HK$' million*
	(audited)	*(audited)*	*(audited)*
Non-current assets	2,195.5	2,234.5	2,098.7
Current assets	801.2	901.2	803.4
Current liabilities	756.3	822.0	736.4
Net current assets	44.9	79.2	67.0
Non-current liabilities	250.9	299.2	319.0
Net assets	1,989.5	2,014.5	1,846.7

Note: The above figures are subject to rounding adjustments.

For the year ended 31 March 2021

For the year ended 31 March 2021, total revenue of the Group was approximately HK$127.1 million, representing a decrease of approximately 7.4% as compared to that of approximately HK$137.2 million for the year ended 31 March 2020. With reference to the 2021 Annual Report, the decrease in revenue was mainly due to the decrease in rental revenue from the property investment operation which was adversely affected by the outbreak of COVID-19 and the expiration of rental guarantee agreement of property in Shanghai.

For the year ended 31 March 2021, the Group recognised loss for the period attributable to the Shareholders of approximately HK$135.1 million, representing a decrease of approximately 74.5% as compared to that of approximately HK$529.1 million for the year ended 31 March 2020. Such decrease in loss was mainly resulted from the recognition of gain arising on change in fair value of financial assets at fair value through profit and loss of approximately HK$93.1 million against the loss of approximately HK$282.9 million recognised for the previous corresponding year, as partially offset by the impairment loss on the Group's property, plant and equipment recognised for the year.

As at 31 March 2021, the Group recorded net current assets and net assets of approximately HK$79.2 million and HK$2,014.5 million, respectively.

For the year ended 31 March 2022

For the year ended 31 March 2022, total revenue of the Group was approximately HK$149.3 million, representing an increase of approximately 17.5% as compared to that of approximately HK$127.1 million for the year ended 31 March 2021. With reference to the 2022 Annual Report, the increase in revenue was mainly due to the increase in revenue generated from agricultural operation as a result of increase in average selling price of soybean, being the major crops sold by the Group, as compared to the previous year.

For the year ended 31 March 2022, the Group recognised loss for the period attributable to the Shareholders of approximately HK$233.4 million, representing an increase of approximately 72.8% as compared to that of approximately HK$135.1 million for the year ended 31 March 2021. As noted from the 2022 Annual Report, such enlargement in loss was mainly resulted from (i) an impairment loss recognised in respect of the mining rights of approximately HK$109.1 million as a result of decrease in market price of manganese ore during the year, which was absent in the previous year; and (ii) the recognition of loss on change in fair value of financial assets at fair value through profit and loss of approximately HK$68.9 million due to the decrease in share price of Heilongjiang Interchina, being listed equity investment of the Group as opposed to gain of approximately HK$93.1 million recognised for the previous corresponding year.

As at 31 March 2022, the Group recorded net current assets and net assets of approximately HK$67.0 million and HK$1,846.7 million, respectively.

2. Background and financial information on Heilongjiang Interchina

As disclosed in the Letter from the Board, Heilongjiang Interchina is principally engaged in sewage water treatment, water supply and the provision of environmental technology services. The Heilongjiang Shares that are not subject to selling restrictions are listed on the Shanghai Stock Exchange (stock code: 600187).

As at the Latest Practicable Date, Interchina Tianjin was interested in 227,312,500 Heilongjiang Shares that are not subject to selling restrictions (being the Sale Shares), representing approximately 14.09% of Heilongjiang Interchina's issued share capital (including shares as at the Latest Practicable Date that are (i) not subject to selling restrictions; and (ii) subject to selling restrictions).

Set out below is a summary of the consolidated financial information of Heilongjiang Interchina and its subsidiaries ("**Heilongjiang Interchina Group**") for the two years ended 31 December 2020 and 2021 and for the three months ended 31 March 2021 and 2022, respectively, which was prepared in accordance with PRC accounting standard, as extracted from the published annual report of Heilongjiang Interchina for the year ended 31 December 2021 and the first quarterly report of Heilongjiang Interchina for the three months ended 31 March 2022:

	For the year ended 31 December		**For the three months ended 31 March**	
	2020	**2021**	**2021**	**2022**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	379.1	384.5	93.8	81.4
Profit/(loss) for the year/ period	27.3	(93.5)	(12.4)	(10.3)
Profit/(loss) for the year/ period attributable to the shareholders of Heilongjiang Interchina	30.5	(90.6)	(10.8)	(8.5)

	As at 31 December 2020	**As at 31 December 2021**	**As at 31 March 2022**
	RMB' million	*RMB' million*	*RMB' million*
	(audited)	*(audited)*	*(unaudited)*
Non-current assets	2,285.9	1,857.7	1,816.3
Current assets	2,411.2	2,981.0	2,974.0
Current liabilities	964.3	1,214.4	1,188.1
Net current assets	1,446.9	1,766.6	1,785.9
Non-current liabilities	287.1	295.0	287.7
Net assets	3,445.7	3,329.3	3,314.5

Note: The above figures are subject to rounding adjustments.

For the year ended 31 December 2021

For the year ended 31 December 2021, total revenue of Heilongjiang Interchina Group amounted to approximately RMB384.5 million, representing a slight increase of approximately 1.4% as compared to the revenue of approximately RMB379.1 million for the year ended 31 December 2020, which was relatively stable.

For the year ended 31 December 2021, Heilongjiang Interchina Group recognised loss for the year of approximately RMB93.5 million, as opposed to the profit for the year of approximately RMB27.3 million for the year ended 31 December 2020. With reference to the annual report of Heilongjiang Interchina for the year ended 31 December 2021, it is noted that the change from profit-making to loss-making performance was mainly attributable to (i) the decrease in volume of sewage treatment as compared to the previous year as a result of part of the sewage treatment plants were then under repair and maintenance; (ii) the lower gross profit margin of the environmental technology services than expected as there were decrease in income as well as increase in cost of services; and (iii) the increase in impairment loss on receivables due to delay in payment of outstanding balance for the disposal of certain equity interest of subsidiaries in prior years. The loss attributable to shareholders of Heilongjiang Interchina for the year ended 31 December 2021 amounted to approximately RMB90.6 million, as opposed to the profit attributable to shareholders of Heilongjiang Interchina of approximately RMB30.5 million for the previous year.

It is further noted that the profit for the year ended 31 December 2020 was mainly attributable to the gain on disposal of water supply and sewage treatment project companies of approximately RMB92,618,000. If this one-off gain was excluded from the profit, Heilongjiang Interchina would have recorded an adjusted loss of RMB65,326,000 for the year ended 31 December 2020 (the "**Adjusted Loss**").

As at 31 December 2021, Heilongjiang Interchina Group recorded net current assets and net assets of approximately RMB1,766.6 million and approximately RMB3,329.3 million, respectively.

For the three months ended 31 March 2022

For the three months ended 31 March 2022, total revenue of Heilongjiang Interchina Group was approximately RMB81.4 million, representing a decrease of approximately 13.2% as compared to that of approximately RMB93.8 million for the three months ended 31 March 2021.

For the three months ended 31 March 2022, Heilongjiang Interchina Group recognised loss for the period of approximately RMB10.3 million, representing a decrease of approximately 16.9% as compared to the loss of approximately RMB12.4 million for the previous corresponding period. The loss attributable to shareholders of Heilongjiang Interchina for the three months ended 31 March 2022 amounted to approximately RMB8.5 million, representing a decrease of approximately 21.3% as compared to the loss attributable to shareholders of Heilongjiang Interchina of approximately RMB10.8 million for the previous corresponding period. According to the first quarterly report of Heilongjiang Interchina for the three months ended 31 March 2022, the loss for the three months ended 31 March 2022 included a non-operating income of approximately RMB18.1 million mainly representing a gain on disposal of non-current assets of approximately RMB18.0 million. If this one-off gain was excluded from the loss, Heilongjiang Interchina Group would have recorded an adjusted loss of approximately RMB28.3 million for the three months ended 31 March 2022, representing an increase of approximately 128.2% as compared to the previous corresponding period, which was mainly due to the decrease in the return in investment and recognition of loss in the fair value of the financial products invested by the Heilongjiang Interchina Group.

As at 31 March 2022, the Heilongjiang Interchina Group recorded net current assets and net assets of approximately RMB1,785.9 million and RMB3,314.5 million, respectively.

The unaudited consolidated total assets of Heilongjiang Interchina as at 31 March 2022 amounted to approximately RMB4,790,318,000 (equivalent to approximately HK$5,628,624,000), which mainly consisted of:

(i) approximately RMB1,063,870,000 (equivalent to approximately HK$1,250,147,000) of intangible assets, mainly representing service concessions arrangements of sewage and water supply projects operated by Heilongjiang Interchina;

(ii) approximately RMB650,000,000 (equivalent to approximately HK$763,750,000) of asset management plan (資管計畫理財);

(iii) approximately RMB659,988,000 (equivalent to approximately HK$775,486,000) of cash and cash equivalents;

(iv) approximately RMB454,574,000 (equivalent to approximately HK$534,124,000) of other receivables;

(v) approximately RMB309,624,000 (equivalent to approximately HK$363,807,000) of account receivables;

(vi) approximately RMB346,374,000 (equivalent to approximately HK$406,989,000) of assets held for sale; and

(vii) approximately RMB139,290,000 (equivalent to approximately HK$163,666,000) of fixed assets.

The unaudited consolidated total liabilities of Heilongjiang Interchina as at 31 March 2022 amounted to approximately RMB1,475,810,000 (equivalent to approximately HK$1,734,078,000), which mainly consisted of:

(i) approximately RMB685,614,000 (equivalent to approximately HK$805,596,000) of advance payment;

(ii) approximately RMB174,107,000 (equivalent to approximately HK$204,576,000) of long term borrowing;

(iii) approximately RMB161,714,000 (equivalent to approximately HK$190,014,000) of liabilities held for sale (持有待售負債),

(iv) approximately RMB157,974,000 (equivalent to approximately HK$185,619,000) of account payables; and

(v) approximately RMB131,131,000 (equivalent to approximately HK$154,079,000) of other payables.

3. Background of and reasons for the Disposal and use of proceeds

As set out in the Letter from the Board, the Company first announced in August 2007 its intended acquisition of approximately 70.21% equity interests in Heilongjiang Interchina, an A share company listed on the Shanghai Stock Exchange which was then subject to formal suspension of trading in its shares, and was in the process of submitting resumption proposals to the Shanghai Stock Exchange to resume the trading in its shares. It was intended that, upon Heilongjiang Interchina's resumption of trading in its shares, it would acquire water projects and be engaged in the relevant operations. At that time, the Group was engaged in, among other things, investment in environmental and water treatment operation in the PRC. As set out in the Company's circular dated 31 January 2008 in relation to such acquisition, the Group could use Heilongjiang Interchina as a platform to pursue more investments in the PRC, which might generate new growth potentials to the Group, and to further expand the Group's business, including but not limited to the water treatment operations. Such acquisition was completed in January 2009, whereupon Heilongjiang Interchina became a non-wholly owned subsidiary of the Company. As set out in the Company's annual report for year ended 31 December 2009, after its resumption of trading in shares, Heilongjiang Interchina acquired two water supply projects in Shaanxi Province and one sewage treatment project in Qinghai Province, thus giving the Group the opportunity to further expand the development in the environmental protection and water treatment operation. Throughout the 13 years between the Group's acquisition of Heilongjiang Interchina and the Latest Practicable Date, Heilongjiang Interchina had conducted numerous equity fund raising and capital restructuring, and the Group had realised its investment on various occasions, whereupon the Group's interests had been gradually diluted and reduced to the current approximate 14.09%. The average investment cost of the Sale Shares was approximately RMB1.09 (equivalent to approximately HK$1.28) per Heilongjiang Share.

On 27 May 2021, Interchina Tianjin has previously entered into disposal agreements (the "**2021 Disposal Agreements**") with (1) Mr. Jiang, (2) Mr. Jiang Lei (the brother of Mr. Jiang) and (3) Shanghai Pengxin (together, the "**2021 Disposal Purchasers**"), pursuant to which the Company has conditionally agreed to dispose of the Sale Shares (the "**2021 Disposal**") at the aggregate consideration of RMB534,184,375 (equivalent to approximately HK$627,667,000) to the 2021 Disposal Purchaser. The 2021 Disposal was conditional upon, among other things (i) the confirmation from the Shanghai Stock Exchange in relation to the signing of the 2021 Disposal Agreements; and (ii) the passing of the necessary resolution(s) by the Independent Shareholders at the Company's general meeting to approve the 2021

Disposal Agreements and the transactions contemplated thereunder. None of the conditions precedent to the 2021 Disposal could be waived. The Independent Shareholders' approval was obtained at the general meeting held on 3 September 2021. However, while making the relevant application to the Shanghai Stock Exchange for its confirmation of the 2021 Disposal Agreements, the Group had been advised that the Shanghai Stock Exchange had issued the 2021 Guidelines (which as dated 21 August 2021, i.e. after the date of the 2021 Disposal Agreements). Pursuant to the 2021 Guidelines, among other things, each single transfer of shares listed on the Shanghai Stock Exchange to be approved by the Shanghai Stock Exchange should be not less than 5% of the issued share capital of a listed issuer listed on the Shanghai Stock Exchange. The number of Heilongjiang Shares contemplated to be disposed to each of Mr. Jiang and Mr. Jiang Lei under the 2021 Disposal represented approximately 3.09% and 3.05% of the then issued shares capital of Heilongjiang Interchina respectively. As each of the percentage proposed to be transferred was less than 5%, the confirmation from the Shanghai Stock Exchange in relation to the 2021 Disposal could not be obtained. In light of the above, Interchina Tianjin and each of the 2021 Disposal Purchasers entered into termination agreements on 29 November 2021 to terminate the 2021 Disposal.

As regards the Disposal, it is also conditional upon, among other things, the confirmation from the Shanghai Stock Exchange in relation to the signing of the Disposal Agreements. As the structure contemplated under the Disposal complied with the requirement of the 2021 Guidelines, in that the percentage of the Heilongjiang Shares proposed to be disposed of to each of the Purchasers, being Mr. Jiang and Shanghai Pengxin, is higher than 5%, the Company and the Purchasers are confident that confirmation from the Shanghai Stock Exchange in relation to the signing of the Disposal Agreements could be obtained. The Company understands and has confirmed with the management of Heilongjiang Interchina, that apart from the 2021 Guidelines, there are no other regulatory restrictions the Company has to address in relation to the Disposal. In the unlikely event that the Group should fail to obtain the confirmation from the Shanghai Stock Exchange, the Company would continue to hold the Sale Shares and might seek out other disposal plans.

In considering the Disposal Agreements, we have principally reviewed and taken into account (i) the business strategy of the Group and the development of its securities investment business, including the investment performance of the Sale Shares; (ii) the business and development of Heilongjiang Interchina; and (iii) the general outlook of the water utilities industry in the PRC.

3.1 Business strategy of the Group and the development of securities investment segment

Based on the 2021 Annual Report and 2022 Annual Report, we note that during the past two years, the Group did not make any new securities investment nor carry any financing operation. The total value of securities investment of the Group amounted to approximately HK$578.4 million, HK$720.3 million and HK$667.9 million as at 31 March 2020, 2021 and 2022, respectively. Save for the Sale Shares, there are no other securities investment held by the Group. Such business did not contribute any revenue to the Group, unlike other business of the Group namely property investment operation, hotel operation and agricultural operation which have been consistently generating considerable level of revenue during the past years. We understand from the Company that the Group has been reviewing its investment strategy from time to time and closely monitoring the market change, and will explore the possibility of realising its investment in Heilongjiang Interchina to enhance its working capital if necessary and when timing is appropriate. Following the Disposal, the Company will cease the operation of securities investment business. As advised by the management of the Company, the Group will cautiously monitor the market situation and evaluate any potential business opportunities with long-term returns in order to enhance the Shareholders' value.

In accordance with the Group's accounting principles, financial assets at fair value through profit or loss are stated at fair value at the end of each financial reporting period. The Group's investment in the Heilongjiang Shares has been adversely affecting the Group's profitability. Notwithstanding the trading price per Heilongjiang Share surged to RMB11.19 on 4 June 2015, based on our research conducted from the public domain, the trading price per Heilongjiang Share has been on an overall downtrend in recent years, during which the trading price of Heilongjiang Share displayed a notable decline from the highest of RMB7.41 per Heilongjiang Share on 6 September 2016 to the lowest of RMB2.02 per Heilongjiang Share on 4 February 2020, representing a maximum decrease of approximately 72.7% during the period. The trading price of the Heilongjiang Share has then been trading around the lower bound of the aforesaid range since 2020. Due to the continuous decrease in the trading price of Heilongjiang Shares, the Group has been recognising relatively substantial amount of unrealised loss for its investment in the Heilongjiang Shares. In the past five years, the Group had recognised aggregate unrealised net loss of approximately HK$907,897,000 arising on change in fair value of the Sale Shares, representing approximately 39.8% of the aggregate losses of approximately HK$2,283,671,000 for the past five years since 2018. Other than the unrealised gain from the Heilongjiang Shares recognised for the year ended 31 March 2021, we note that the Company recognised unrealised losses arising from the Heilongjiang Shares which contributed as to approximately 42.3%, 53.0%, 53.5% and 28.9% among the corresponding losses of the Group for the years ended 31 March 2018, 2019, 2020 and 2022 respectively. No dividend income has been received by the Group from its investment in the Sale Shares.

Use of proceeds

Pursuant to the Disposal Agreements, the parties agreed that the Consideration be made payable by way of set-off of the Existing Loan, being the loan owing from Interchina Tianjin to Shanghai Pengxin which is non-interest bearing, unsecured and repayable on demand. After Completion, the Existing Loan will be fully paid off and the Group shall no longer owe Shanghai Pengxin any amount. The net proceeds from the Disposal (not including any tax payment) amounted to RMB576,700,000 (equivalent to approximately HK$677,623,000). The majority part of the net proceeds will be used by the Group to set-off against the Existing Loan upon Completion and the remaining as general working capital. As such, the Disposal represents an opportunity for the Group to realise its investment in Heilongjiang Interchina at a gain while avoiding any future recognition of further potential unrealised losses, and at the same time reduce the Group's debt level upon set-off of the Existing Loan by the Consideration. We further learnt that as at 31 July 2022, other than the Existing Loan, the Group had outstanding other borrowings of approximately HK$266,000,000 denominated in HK$ and/or obtained in Hong Kong, repayable at the beginning of September 2023. The Existing Loan constituted all borrowings of the Group denominated in RMB and/or obtained in the PRC as at 31 July 2022.

Having considered (i) the Consideration of RMB577,373,750 (equivalent to approximately HK$678,414,000) is higher than that of the 2021 Disposal of RMB534,184,375 (equivalent to approximately HK$627,667,000); (ii) the Disposal would bring upon an estimated gain on Disposal (exclusive of transaction costs and tax) of approximately RMB36,370,000 (equivalent to approximately HK$42,735,000) (whereupon the 2021 Disposal would have brought upon an estimated loss on disposal of approximately HK$76,694,000 as set out in the Company's circular dated 26 July 2021); (iii) the Group's unaudited consolidated liabilities could be reduced by approximately HK$629,863,000 from approximately HK$895,863,000 as at 31 July 2022 to approximately HK$266,000,000; and (iv) a net cash inflow of approximately RMB41,320,000 (equivalent to approximately HK$48,551,000), being the remaining Consideration after set-off of the Existing Loan (whereupon upon settlement of the 2021 Disposal consideration (also by way of set-off against loan due to the 2021 Disposal Purchasers), the Group would have still been indebted to Shanghai Pengxin in the amount of RMB249,368,958.34 (equivalent to approximately HK$293,009,000)), we concur with the Directors' view that conducting the Disposal at this material time is in the interest of the Company and the Independent Shareholders as a whole.

3.2 Development of Heilongjiang Interchina's business

As noted from the annual report of Heilongjiang Interchina for the year ended 31 December 2021, revenue from the sewage water treatment and water supply segments in aggregate accounted for approximately 64.4% of the total revenue of Heilongjiang Interchina for the year ended 31 December 2021. We note that a number of project companies that were engaged in sewage treatment and water supply operations had been disposed of by Heilongjiang Interchina from 2018 to 2021. As a result, the aggregate daily wastewater and water treatment capacity of Heilongjiang Interchina have significantly decreased from approximately 1,050,000 tonnes on 31 December 2017 to approximately 513,000 tonnes on 31 December 2021, by approximately 537,000 tonnes or 51.1% over the years. Such reduction in daily processing capacity has negatively affected the operating income and financial performance of Heilongjiang Interchina. Taking into consideration the Adjusted Loss (as described in the above section headed "2. Background and financial information on Heilongjiang Interchina"), the Heilongjiang Interchina Group had been recording consecutive losses in recent years and up to the first quarter of 2022. Moreover, as noted from the profit warning announcement of Heilongjiang Interchina dated 14 July 2022, Heilongjiang Interchina expected to record a loss attributable to shareholders for the six months ended 30 June 2022 against the profit attributable to shareholders for the previous corresponding period.

While it is noted that Heilongjiang Interchina intended to undergo some strategic investments to diversify its business and has proposed to enter into two material acquisitions as disclosed in the announcement of Heilongjiang Interchina on 28 July 2020 and 23 March 2022, such acquisitions were subsequently terminated respectively. We also noted that Heilongjiang Interchina has begun to invest in the nursery business in 2020, which recorded a share of loss for the year ended 31 December 2020. We note that Heilongjiang Interchina has divested such investment in late 2021. Save for the aforesaid, we were not aware of other investments announced by Heilongjiang Interchina as at the Latest Practicable Date.

3.3 Outlook of the water utilities industry in the PRC

For our analysis purpose, we have also made reference to the general outlook of the water utilities industry in the PRC in which Heilongjiang Interchina has been operating in. Based on our research conducted from the public domain, the development of water utilities industry in the PRC is becoming more challenging given the more stringent regulations and the keen competitions in recent years. According to the "China's Progress Report on Implementation of the 2030 Agenda for Sustainable Development (2019)" *(https://www.fmprc.gov.cn/)* published by the Ministry of Foreign Affairs of the PRC, China has achieved water safety in both urban and rural areas and the condition of drinking water has significantly improved. The penetration ratios of centralised water supply and tap water in rural areas under the water safety consolidation projects have increased from 82% and 76%, to 86% and 81%, respectively, primarily resulted from stricter regulatory measures on the water utilities industry imposed by the PRC government with a view to promote an orderly development of the industry. Among the industry guidelines, the "three red lines" being the controlling development and utilisation of water resources, water usage efficiency and pollution discharge in different water function zones have been strictly monitored. On the other hand, we have also made reference to the historical trend of water supply and related indicators in the PRC from 2016 to 2020, being the latest available statistics as published from official sources, as follows:

	2016	**2017**	**2018**	**2019**	**2020**
Total urban water supply (million of cubic meters)	58,069.1	59,375.9	61,462.4	62,830.1	62,954.2
Total annual sewage treatment capacity (million cubic meters)	44,879.4	46,549.1	49,761.3	53,692.8	55,727.8
— Sewage treatment plants (million cubic meters)	43,131.2	45,289.5	48,647.7	52,585.0	54,722.8
— Other sewage treatment facilities (million cubic meters)	1,748.3	1,259.6	1,113.5	1,107.8	1,005.1
Annual sewage discharged (million cubic meters)	48,030.5	49,239.0	52,112.5	55,464.7	57,136.3
Urban sewage treatment rate *(Note 1)*	93.4%	94.5%	95.5%	96.8%	97.5%
Treatment rate of sewage treatment plant *(Note 2)*	92.0%	92.0%	93.4%	94.8%	95.8%

Source: *National Bureau of Statistics (https://data.stats.gov.cn) and Ministry of Housing and Urban-Rural Development (http://www.mohurd.gov.cn)*

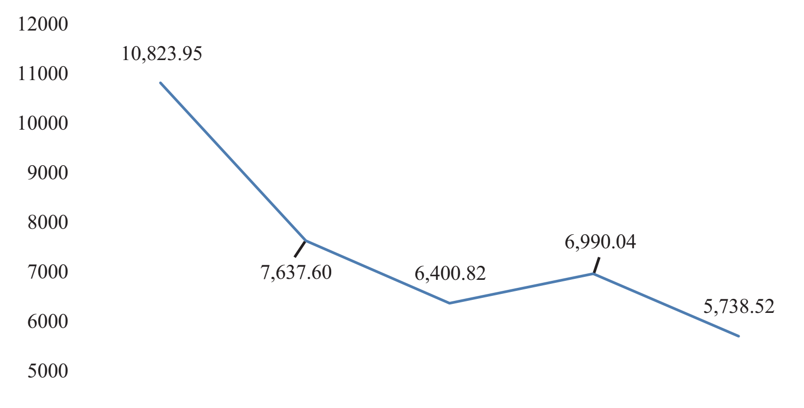
Notes:

1. Urban sewage treatment rate was computed by dividing the total annual sewage treatment capacity by annual sewage discharged.

2. Treatment rate of sewage treatment plant was computed by dividing the annual sewage treatment capacity of wastewater treatment plants by annual sewage discharged.

As shown in the table above, the level of the urban water supply was relatively stable from 2016 to 2020 with a moderate growth. It is also notable that the urban sewage treatment rate and treatment rate of sewage treatment plant maintained at a generally high level with a narrow yearly growth rate.

Set out below is a summary of investment on sewage treatment projects from 2016 to 2020 in the PRC:



	2016	2017	2018	2019	2020
Investment completed in sewage treatment projects (RMB million)	10,823.95	7,637.60	6,400.82	6,990.04	5,738.52

Source: *National Bureau of Statistics (https://data.stats.gov.cn) and Ministry of Housing and Urban-Rural Development (http://www.mohurd.gov.cn)*

As shown above, the investment completed in sewage treatment projects exhibited an overall downward trend from 2016 to 2020. Such slowdown in investment may indicate a potentially saturated market of the sewage treatment industry in the PRC.

In view of the above and considering that (i) the trading price of the Heilongjiang Shares has been fluctuating but on an overall downward trend in the past five years, leading to the recognition of consecutive aggregate unrealised losses arising from the investment of the Heilongjiang Shares by the Group; (ii) the challenging operating environment of the water utilities industry in the PRC faced by Heilongjiang Interchina as a private enterprise in view of the potentially saturated market, while the Disposal represents an opportunity for the Group to unlock its investment at a price above the average investment cost of approximately RMB1.09 per Heilongjiang Share to reallocate its resources and efforts to support and develop other businesses which have more revenue-generating potential; and (iii) the Consideration would be applied to set off the Existing Loan which would accordingly reduce the liabilities and improve the gearing ratio of the Group, we are of the view that the entering into of the Disposal Agreements and the transactions contemplated thereunder are in line with the business strategy of the Group and in the interests of the Company and the Independent Shareholders as a whole.

4. Principal terms of the Disposal Agreements

Pursuant to the Disposal Agreements, (i) Interchina Tianjin has conditionally agreed to sell and Mr. Jiang has conditionally agreed to acquire 100,000,000 Sale Shares at an aggregate consideration of RMB254,000,000 (equivalent to approximately HK$298,450,000); (ii) Interchina Tianjin has conditionally agreed to sell and Shanghai Pengxin has conditionally agreed to acquire 127,312,500 Sale Shares at an aggregate consideration of RMB323,373,750 (equivalent to approximately HK$379,964,000). The aggregate Consideration for the Sale Shares amounted to RMB577,373,750 (equivalent to approximately HK$678,414,000), representing RMB2.54 (equivalent to approximately HK$2.98) per Sale Share. For further details of the principal terms of the Disposal Agreements, please refer to the section headed "The Disposal Agreements" in the Letter from the Board.

The Disposal Agreements are inter-conditional on each other. After signing of the Disposal Agreements, the Purchasers and Interchina Tianjin shall make an application to the Shanghai Stock Exchange in relation to the Disposal Agreements for approval in accordance with relevant rules and regulations, including the requirements under the 2021 Guidelines. In the event that the parties fail to fulfill any of the conditions precedent (including but not limited to the confirmation from the Shanghai Stock Exchange in relation to the signing of the Disposal Agreements), the Company will reevaluate to hold the Sale Shares or consider other disposal plans.

As disclosed in the Letter from the Board, Mr. Jiang, through Shanghai Pengxin, has been providing unsecured financial support to the Group. As at 30 September 2020, the Group was indebted to Shanghai Pengxin in the aggregate amount of RMB201,120,000 (equivalent to approximately HK$236,316,000) that was non-interest bearing, unsecured and repayable on demand. As at 30 September 2020, the Group had recorded approximately HK$658,966,000 as substantial other borrowings, of which HK$626,966,000 was repayable within three months. In order to repay the matured loan, during the period from 1 October 2020 to 31 January 2021, the Group had further obtained a total advance of RMB582,433,333.34 (equivalent to approximately HK$684,359,000) from Shanghai Pengxin, which was non-interest bearing, unsecured and repayable on demand. Thereafter as at 31 March 2021, the Group's outstanding other borrowings had significantly reduced to HK$33,000,000 while the amount due to Shanghai Pengxin increased to RMB783,553,333.34 (equivalent to approximately HK$920,675,000). During the year ended 31 March 2022, the Group repaid an aggregate of RMB238,000,000 (equivalent to approximately HK$279,650,000) to Shanghai Pengxin. As at 31 March 2022, the outstanding principal amount due to Shanghai Pengxin was RMB545,553,333.34 (equivalent to approximately HK$641,025,000) was non-interest bearing, unsecured and repayable on demand. During the period from 1 April 2022 to the date of the Disposal Agreements, the Group further repaid an aggregate amount of RMB9,500,000 (equivalent to approximately HK$11,163,000) to Shanghai Pengxin. As at the Latest Practicable Date, the Group was indebted to Shanghai Pengxin in the aggregate amount of RMB536,053,333.34 (equivalent to approximately HK$629,863,000) that was non-interest bearing, unsecured and repayable on demand (being the Existing Loan).

Given the Disposal was made to Shanghai Pengxin and its shareholder, the parties therefore agreed that the Consideration be made payable by way of set-off of the Existing Loan. After Completion, the Existing Loan is fully settled and the Group shall no longer owe Shanghai Pengxin any amount.

The Consideration of RMB2.54 (equivalent to approximately HK$2.98) per Sale Share represents:

(i) a discount of approximately 3.79% to the closing price of RMB2.64 (equivalent to approximately HK$3.10) per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange on 9 August 2022, being the date of the Disposal Agreements;

(ii) the average closing price of RMB2.54 (equivalent to approximately HK$2.98) per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange for the last five consecutive trading days immediately prior to the date of the Disposal Agreements;

(iii) a discount of approximately 2.46% to the average closing price of RMB2.604 (equivalent to approximately HK$3.06) per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Disposal Agreements;

(iv) a discount of approximately 3.79% to the average closing price of RMB2.64 (equivalent to approximately HK$3.10) per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange for the last 20 consecutive trading days immediately prior to the date of the Disposal Agreements;

(v) a discount of approximately 14.48% to the closing price of RMB2.97 (equivalent to approximately HK$3.49) per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange as at the Latest Practicable Date;

(vi) a premium of approximately 23.90% over the unaudited consolidated net asset value per Heilongjiang Share as at 31 March 2022 of approximately RMB2.05 (equivalent to approximately HK$2.41) per Heilongjiang Share (computed by dividing the unaudited consolidated net asset value as at 31 March 2022 of approximately RMB3,314,508,000 (equivalent to approximately HK$3,894,547,000) by the number of issued Heilongjiang Shares 1,613,781,103 as at the Latest Practicable Date); and

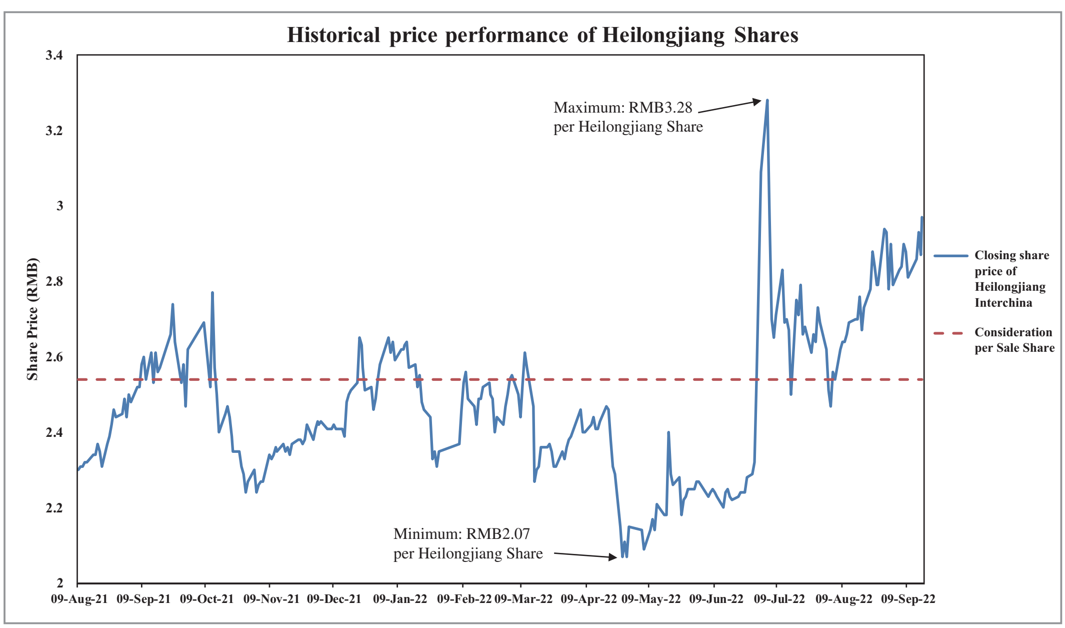
(vii) a premium of approximately 24.51% over the unaudited consolidated net asset value per Heilongjiang Share attributable to the shareholders as at 31 March 2022 of approximately RMB2.04 (equivalent to approximately HK$2.40) per Heilongjiang Share (computed by dividing the unaudited consolidated net asset value attributable to the shareholders as at 31 March 2022 of approximately RMB3,298,100,000 (equivalent to approximately HK$3,875,268,000) by the number of issued Heilongjiang Shares of 1,613,781,103 as at the Latest Practicable Date).

Evaluation of the Consideration

In assessing the fairness and reasonableness of the Consideration, we have primarily considered the historical performance and trading liquidity of the Heilongjiang Shares during the one-year period before the date of the Disposal Agreements and up to the Latest Practicable Date (the "**Review Period**"). We considered that the Review Period covering the one-year period prior to the date of the Disposal Agreements is reasonable and represents a sufficient period of time to provide a general reference on the recent market performance of the Heilongjiang Shares for the purpose of our analysis.

4.1 Historical price performance

The chart below shows the historical movements of daily closing prices of the Heilongjiang Shares during the Review Period:



Source: Refinitiv Eikon

As illustrated in the above chart, the share price of Heilongjiang Shares was largely fluctuating during the Review Period, where the share price raised from around RMB2.30 per share at the beginning of the Review Period to RMB2.77 per share on 12 October 2021, and then exhibited a substantial drop and continue to fluctuate and bottomed at RMB2.07 per share on 26 April 2022 and 28 April 2022, before rebounding and reached the peak at RMB3.28 per share on 4 July 2022. We noted that during the period from August 2021 to April 2022, Heilongjiang Interchina has published various announcements relating to (i) refunds from capital reduction by Sailing Capital International Investment Fund (Shanghai) Company Limited which Heilongjiang Interchina invested in on 30 September 2021, 29 October 2021 and 26 March 2022; (ii) termination of joint investment with related parties on 25 December 2021 and 23 February 2022; (iii) publication of interim result of 2021 and the third quarterly result of 2021 on 20 August 2021 and 30 October 2021; and (iv) publication of annual result and the first quarterly result on 30 April 2022. It is notable that the share price of Heilongjiang Interchina surged significantly from RMB2.24 per share to RMB3.28 per share during the period from 23 June 2022 to 4 July 2022. The share price of Heilongjiang Shares continued to fluctuate with a downward trend up to the Latest Practicable Date. We note that Heilongjiang Interchina published an announcement on 1 July 2022 in response to such abnormal price fluctuation mainly regarding the status of the potential investment in a target company pursuant to a memorandum of understanding entered into by Heilongjiang Interchina which may or may not materialise, and the announcements on 29 June 2022 and 15 July 2022 in relation to the cancellation of 40,154,025 Heilongjiang Shares which was completed on 30 August 2022 pursuant to which the number of issued Heilongjiang Shares had been reduced from 1,653,935,128 to 1,613,781,103 Heilongjiang Shares (the "**Heilongjiang Share Cancellation**"). Save for the matters described in the aforesaid announcements, Heilongjiang Interchina was not aware of any other material information which may result in potential market speculation. It is noted that the Consideration of RMB2.54 per Sale Share is within the range of the maximum and minimum closing prices of the Heilongjiang Shares during the Review Period and represents (i) a premium of approximately 22.7% over the lowest closing price of RMB2.07 per share recorded on 26 April 2022 and 28 April 2022; (ii) a discount of approximately 22.6% to the highest price of RMB3.28 per share on 4 July 2022; and (iii) a premium of approximately 2.83% over the average closing price of RMB2.47 per Heilongjiang Share during the Review Period. The Heilongjiang Shares were traded below the Consideration of RMB2.54 per Sale Share for 180 trading days out of 270 trading days of the Review Period, representing more than 66% of the Review Period. The Heilongjiang Shares closed at RMB2.97 per share as at the Latest Practicable Date.

4.2 Trading liquidity of the Heilongjiang Shares

Set out below is the average daily trading volumes of the Heilongjiang Shares during the Review Period:

Table 1: Average daily trading volume of Heilongjiang Shares during the Review Period

	Number of trading days	Average daily trading volumes *(Note 1)*	Average daily trading volumes over the issued share capital of Heilongjiang Interchina *(Note 2)*
2021			
August (from 9 August 2021)	17	18,617,604.53	1.13%
September	20	28,677,010.65	1.73%
October	16	42,721,062.81	2.58%
November	22	13,287,374.59	0.80%
December	23	23,104,195.00	1.40%
2022			
January	19	23,316,437.26	1.41%
February	16	20,144,814.06	1.22%
March	23	28,007,194.00	1.69%
April	19	19,278,486.00	1.17%
May	19	18,839,313.21	1.14%
June	21	27,680,225.00	1.67%
July	21	115,671,183.29	6.99%
August *(Note 3)*	23	56,106,515.00	3.40%
September (up to and including the Latest Practicable Date) *(Note 3)*	11	56,748,658.09	3.52%

Source: Refinitiv Eikon

Notes:

1. Computed by dividing the monthly trading volumes of the Heilongjiang Shares by the total number of trading days of the respective corresponding months.

2. Computed by dividing the average daily trading volumes of the Heilongjiang Shares by the issued share capital of Heilongjiang Interchina of 1,653,935,128 Heilongjiang Shares.

3. As the Heilongjiang Share Cancellation had been completed on 30 August 2022, the number of issued shares had reduced from 1,653,935,128 Heilongjiang Shares to 1,613,781,103 Heilongjiang Shares thereafter. The average daily trading volumes over the issued share capital of Heilongjiang Interchina in August and September 2022 had been computed on the basis that the number of issued shares had been reduced after 30 August 2022.

As shown in Table 1 above, the average daily trading volumes of the Heilongjiang Shares represented approximately 0.80% to 6.99% of Heilongjiang Interchina's issued share capital during the Review Period. Excluding the higher average daily trading volume for the month of July 2022 due to the significantly higher number of shares traded in early July 2022 which is consistent with the abnormal price fluctuation during the relevant period as described in the above sub-section headed "4.1 Historical price performance" and therefore resulted in a relatively higher trading volume in July 2022 as compared to other months, the average daily trading volume of the Heilongjiang Shares only represented approximately 0.80% to 3.52% during the Review Period. Considering the generally thin trading liquidity of the Heilongjiang Shares and the substantial amount of the Sale Shares which represents more than 10% of Heilongjiang Interchina's issued share capital, it will be very unlikely for the Company to dispose of the Sale Shares in the market via the bulk-volume trading system of the Shanghai Stock Exchange without exerting downward pressure to the trading price of the Heilongjiang Shares. The Disposal therefore allows the Company to dispose of the Sale Shares in one lot at a fixed price to the Purchasers.

4.3 Comparable analysis

In assessing the fairness and reasonableness of the Consideration, we have also carried out an analysis by comparing peer companies listed in the PRC. Having considered the size of Heilongjiang Interchina, being the implied value of approximately RMB4.2 billion (based on the calculation below), and principal business activities that Heilongjiang Interchina engaged in (being the water supply, sewage water treatment and provision of environmental technology services), which contributed to more than 50% of its total revenue for the latest financial year, we have, on a best-effort basis, identified comparable companies based on the information extracted from public domain which are (i) listed on Shanghai Stock Exchange or Shenzhen Stock Exchange; (ii) established and principally operating in the PRC; (iii) principally engaged in water supply and/or drainage and sewage treatment business with more than 50% of the latest reported annual revenue generated from such business; and (iv) of market capitalisation between RMB1 billion and RMB5 billion as at the date of the Disposal Agreements. Based on our selection criteria, we have identified an exhaustive list of eight companies (the "**Comparable Companies**") which are considered representative and appropriate for comparison purpose as they are all engaged in the same or similar business sector in the PRC as Heilongjiang Interchina with comparable size and derived majority of their respective revenues from this business.

As Heilongjiang Interchina is loss-making for the year ended 31 December 2021, the price-to-earnings multiple is not applicable. Given that Heilongjiang Interchina is principally engaged in the water utilities industry which is typically capital intensive with significant reliance on fixed assets such as machinery and infrastructure built for business operations, we have considered the price-to-book ("**P/B**") multiple which measures the book value of common owner equity, being an important indicator of shareholders' value and a commonly used benchmark in assessing the valuation of capital intensive companies and therefore are considered appropriate for our analysis purpose. As such, we have computed and compared P/B ratios of Heilongjiang Interchina represented by the Consideration against P/B ratios of the Comparable Companies which are also engaged in the water utilities sector, details of which are set out in Table 2 below.

Table 2: Summary of the Comparable Companies

Listed issuer	**Stock code**	**Market capitalisation**	**P/B**
		(Note 1)	*(Note 2)*
		(RMB)	*(times)*
Bohai Water Industry Co Ltd	000605.SZ	2,225,275,766	1.1
Wuhan Sanzhen Industry Holding Co Ltd	600168.SH	4,456,097,666	0.9
Qian Jiang Water Resources Development Co Ltd	600283.SH	4,656,014,048	2.2
Guangxi Nanning Waterworks Co Ltd	601368.SH	4,900,500,577	1.1
Guangdong Liantai Environmental Protection Co Ltd	603797.SH	3,358,459,362	1.3
Fujian Haixia Environmental Protection Group Co Ltd	603817.SH	3,494,631,728	1.4
CSD Water Service Co Ltd	603903.SH	2,640,003,423	1.7
GreenTech Environmental Co Ltd	688466.SH	1,796,244,800	1.7
		Minimum	**0.9**
		Maximum	**2.2**
		Average	**1.4**
		Median	**1.3**
Heilongjiang Interchina	**600187.SH**	**4,097,755,500**	**1.2**

Sources: The official websites of the Shenzhen Stock Exchange (http://www.szse.cn) and the Shanghai Stock Exchange (http://www.sse.com.cn/)

Notes:

1. Computed based on the total issued share capital and the closing share price of the Comparable Companies as at the date of the Disposal Agreements. The market capitalisation of Heilongjiang Interchina implied by the Consideration was computed by dividing the Consideration of RMB577,373,750 by 14.09%, being the approximate equity interests to be disposed of.

2. Computed by dividing the respective market capitalisations of the Comparable Companies as at the date of the Disposal Agreements by the respective net asset values attributable to shareholders as at the respective latest financial period end of the Comparable Companies as extracted from the latest published financial reports of the Comparable Companies. The implied P/B ratio of Heilongjiang Interchina was computed by dividing the market capitalisation implied by the Consideration by the unaudited consolidated net asset value attributable to the shareholders as at 31 March 2022 of approximately RMB3,298,100,000.

As illustrated in Table 2 above, the P/B ratios of the Comparable Companies ranged from approximately 0.9 times to approximately 2.2 times, with an average P/B ratio of approximately 1.4 times and median P/B ratio of approximately 1.3 times. The implied P/B ratio of Heilongjiang Interchina of approximately 1.2 times is therefore within the range of, lower than or approximates to the average and median P/B ratios of the Comparable Companies.

Notwithstanding that the Consideration of RMB2.54 per Sale Share represents discounts of approximately 3.79%, 2.46% and 3.79% to the closing price per Heilongjiang Share on the date of the Disposal Agreements, the average closing price per Heilongjiang Shares for the last 10 and 20 consecutive trading days immediately prior to the date of the Disposal Agreements, respectively, in light of (i) the fact that the Consideration per Sale Share represents (a) a premium of approximately 2.83% over the average closing price per Heilongjiang Share during the Review Period; and (b) a premium of approximately 24.51% over the unaudited consolidated net asset value per Heilongjiang Share attributable to the shareholders as at 31 March 2022; (ii) the Heilongjiang Shares have been traded below the Consideration of RMB2.54 per Sale Share for majority of the trading days throughout the Review Period; (iii) the disposal of a substantial amount of Sale Shares via the bulk-volume trading system in the market would likely bring a negative impact on the trading price of Heilongjiang Shares given the thin trading liquidity, while the Purchasers are willing to take up the Sale Shares in one lot at a fixed price; (iv) the implied P/B ratio of Heilongjiang Interchina is within the range of the P/B ratios of the Comparable Companies; and (v) the overall downtrend of the trading price of Heilongjiang Shares during the past five years leading to the recognition of substantial unrealised loss of the Group which attributed to a majority of the aggregate losses of the Group for the past five years since 2018, details of which are set out in the sub-section headed "3.1 Business strategy of the Group and the development of securities investment segment" above, we are of the view that the Consideration per Sale Share is fair and reasonable.

5. Financial effects of the Disposal

The Group's investment in the Sale Shares has been accounted for as financial assets at fair value through profit or loss. After the Disposal, the Group will cease to hold any interests in Heilongjiang Interchina.

(a) Earnings

Based on the audited carrying amount of the Sale Shares as at 31 March 2022 of RMB541,003,750 (equivalent to approximately HK$635,679,000), and the Consideration of RMB577,373,750 (equivalent to approximately HK$678,414,000), it is estimated that, as a result of the Disposal, the Group will recognise an estimated gain (exclusive of transaction costs and tax) of approximately RMB36,370,000 (equivalent to approximately HK$42,735,000).

(b) Gearing

According to the 2022 Annual Report, the gearing ratio of the Group amounted to 30.8%, which was calculated as total outstanding borrowings divided by the total assets as at 31 March 2022. Since the Consideration will be used to set off against the Existing Loan on a dollar-for-dollar basis, the Disposal will reduce the total outstanding borrowings of the Group and, for illustrative purpose only, would have lowered the Group's gearing ratio to approximately 11.7% as at 31 March 2022.

(c) Net assets

As the investment in the Sale Shares is regarded as current assets of the Group, and the Disposal will turn such current assets into receivables from the Purchasers and hence, the Disposal would not have any material adverse effects on the total assets and total liabilities of the Group. Pursuant to the payment terms of the Disposal Agreements, part of the Consideration will be used to set off against the Existing Loan on a dollar-for-dollar basis, the total assets of the Group would be decreased by approximately RMB499,683,333 (equivalent to approximately HK$587,128,000) and the total liabilities of the Group would be decreased by RMB536,053,333 (equivalent to approximately HK$629,863,000). Accordingly, the net assets of the Group is expected to increase.

In view of (i) the overall negative impact brought upon by the Group's investment in the Sale Shares as evidenced by the consistent recognition of substantial unrealised loss arising from the investment due to the continual decrease in the trading price of Heilongjiang Shares in the past years; (ii) that the Company is expected to recognise a gain from the Disposal; and (iii) the expected improvement of gearing ratio of the Group from settlement of the Consideration against the Existing Loan, we are of the view that the entering into of the Disposal is fair and reasonable.

Independent Shareholders should note that the above expected financial effects are for illustrative purposes only and do not represent how the financial position of the Group will be upon the Completion.

RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the view that the entering into of the Disposal Agreements are in the ordinary and usual course of business of the Group, and the terms of the Disposal Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Disposal Agreements are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the GM to approve the Disposal Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the accounting and investment banking profession.

In this letter, the currency conversion rate of RMB to HK$ is set at the approximate rate of RMB1 = HK$1.175 for illustrative purpose.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three years ended 31 March 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website:

(a) for the annual report of the Company for the year ended 31 March 2020 published on 27 July 2020, please see:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0727/2020072700163.pdf (pages 62–156);

(b) for the annual report of the Company for the year ended 31 March 2021 published on 28 July 2021, please see:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0728/2021072800185.pdf (pages 59–152);

(c) for the annual report of the Company for the year ended 31 March 2022 published on 27 July 2022, please see:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0727/2022072700524.pdf (pages 71–168).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2022 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up) had outstanding indebtedness of approximately HK$895,863,000. The indebtedness was comprised of (i) secured and unguaranteed other borrowings of approximately HK$250,000,000, (ii) unsecured and unguaranteed other borrowings of approximately HK$16,000,000 and (iii) unsecured and unguaranteed amount due to Shanghai Pengxin of approximately HK$629,863,000. As at 31 July 2022, the secured and unguaranteed other borrowings was secured by the shares of certain subsidiaries of the Company.

Save as disclosed above and part from intra-group liabilities, the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up) did not have any (i) debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured; (ii) other borrowings or indebtedness in the nature of borrowing; (iii) mortgages and charges; and (iv) any contingent liabilities or guarantees as at the close of business of 31 July 2022.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in property investment operation, agricultural operation, hotel operation and securities investment and financing operation. For the year ended 31 March 2022, the Group recorded a total revenue of approximately HK$149,347,000, whilst the total revenue for the year ended 31 March 2021 was approximately HK$127,093,000. Loss attributable to owners of the Company for the year ended 31 March 2022 amounted to approximately HK$233,386,000 as compared to the loss attributable to owners of the Company of HK$135,055,000 for the year ended 31 March 2021. Securities investment operation was a non-core business of the Group. No revenue was recorded for the year ended 31 March 2022 and 2021 but loss of approximately HK$68,883,000 arising on change in fair value of securities investment was recognised for the year ended 31 March 2022 as compared to the gain of HK$93,116,000 for the year ended 31 March 2021. The Directors consider that the Disposal should not have any impact to the Group's existing operations but enable the Group, by disposing of a non-core business, to realise cash and repay some of the indebtedness. Following the Disposal, the Group will continue to engage in the segment of property investment operation, agricultural operation and hotel operation.

Property investment operation

The Group currently owns approximately total gross floor area of 19,600 sq. m. in Beijing Interchina Commercial Building, located in the central business district of Beijing, the PRC (comprising of approximately 7,650 sq. m. of office units, 5,800 sq. m. of retail units and 6,150 sq. m. of parking space) (the "**Beijing Property**"). The occupancy rate of the Beijing Property remains high at approximately 95% which provides stable rental income to the Group. The Group also owns 14 retail units with total gross floor area of approximately 8,500 sq. m. in the Above the Bund Square, Shanghai (the "**Shanghai Property**"). Due to the pandemic of the COVID-19, the occupancy rate of the Shanghai Property decreased from the highest of 85% as at 31 December 2019 to 43% as at 31 March 2022. The Group will continue to identify potential tenants in order to increase rental income as soon as possible. The Group will hold the Beijing Property and the Shanghai Property for recurrent rental income in long term.

Agricultural operation

The Group started its agricultural operation by the end of 2019. This segment provided steady income and cashflow to the Group in the past three years. The Group currently operates, through several wholly-owned subsidiaries namely Empresa Agropecuaria Novagro S.A., Sociedad Agropecuaria Agrotanto S.A. and Agropecuaria Irricobol S.R.L, the agriculture business of soybean plantation (major product) and cattle raising business in Bolivia. The total farmland owned by the Group reaches 18,730 hectares. In 2020, South America was adversely affected by COVID-19, and so was the

Group's operation in Bolivia. However, the market price of soybean has reached historical high since the beginning of 2021, leading to the revenue and profitability of this segment reaching a reasonable level. As the world population continues to grow, urbanisation rates in most countries also accelerate as a result, which increase the demand for food products at the same time. The Group is optimistic about the prospects in the agricultural industry and will actively allocate resources to further expand the agricultural operation.

Hotel operation

The Group currently owns a hotel property, Holiday Inn Express Shanghai Wujiaochang (the "**Hotel**") located in Yangpu District, Shanghai, the PRC. It is a 20-storey hotel with total gross floor area of approximately 15,900 sq. m., and 293 guest rooms. The Hotel became a quarantine hotel by the end of March 2020. As a result, the Hotel's income and cashflow have been procured and the average occupancy rate returned to a satisfactory level. It is expected that subject to the pandemic situation and the instruction of the local government, the Hotel will continue to be a quarantine hotel in the coming three months.

The construction of the hotel properties was completed in 2007 and the Hotel has been in operation since December 2007. Except for minor facilities upgrade/improvement carried out regularly, a material renovation of the Hotel has not been conducted. It is expected the Hotel has a strong need to upgrade its facilities to tailor for the demand and expectation of its guests. However, the pandemic situation continues to change, and it has increased the investment risk to the Group's hotel operation. Timetable of full recovery remains uncertain. The Company is of the view that the business outlook of the Hotel is less optimistic.

The Group has been in active discussion on the possibility of disposal of the Hotel with potential purchasers. However, no agreement has been entered. The Group will closely monitor the market condition and will not eliminate the possibility of realising the Hotel in order to enhance the Group's working capital if necessary and when timing is appropriate.

Resources operation

The Group holds a mining licence to conduct the activities of construction, production, sales transportation and processing/refinery of manganese ore in the district of Kupang City Nusantara Timor Tenggara, Indonesia for a period of 20 years which should expire on 4 November 2031, with estimated resources of approximately 18,800,000 tonnes (the "**Mining Right**"). Production has not been commenced since the Group acquired the Mining Right in November 2011.

Being affected by policy prohibiting raw ore export promulgated by the Indonesia government since January 2014, this operation had made no production. According to the relevant regulations of Indonesia, the Group needs to construct a smelter complex in order to apply for an export licence for sale of processed mineral ore to overseas. Having considered the business risks involved including but not limit to (i) further significant amount of capital investment in the construction of smelter complex; (ii) the manganese ore price level is not yet high enough for the operation to be profitable; and (iii) the unstable global economic and political conditions which could dampen the market price of the mineral products, it is estimated that commercial production is unable to be commenced in the short term. Nevertheless, the Group will keep a conservative attitude in the operation and closely monitor the market conditions as well as consider other options such as cooperation with other party which has experience in the development and investment in resource operation and/or realisation of the investment should the opportunities arise.

Looking ahead, the Group will remain dedicated to constantly reviewing and reinforcing its existing operation segments, with a view to enhancing and improving returns to the Shareholders. Besides, the Group will continue to explore investment and other business development opportunities with a view to bringing long-term and substantial return to the Shareholders.

4. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry, were of the opinion that taking into account the Group's internally generated funds, existing banking and other borrowing facilities available, the existing cash and bank balances and the effect of the Disposal, the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up) has sufficient working capital for at least 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date and to the best knowledge of the Directors, there was no material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited consolidated accounts of the Company had been made up.

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) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Mr. Jiang	The Company	Interest in controlled corporation	1,742,300,000 Shares (L)	23.89%
Lam Cheung Shing, Richard	The Company	Beneficial owner	7,700,000 Shares (L)	0.11%

(L) denotes the long position held in the Shares

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and persons having 5% or more shareholding

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up) or had options in respect of such capital:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Rich Monitor Limited *(Note 1)*	The Company	Beneficial owner	1,033,300,000 Shares (L)	14.17%
Pengxin Holdings Company Limited *(Note 1)*	The Company	Beneficial owner	709,000,000 Shares (L)	9.72%
Ansheng Holdings Co., Ltd *(Note 2)*	The Company	Beneficial owner	641,135,000 Shares (L)	8.79%
Tong Yung Ling *(Note 2)*	The Company	Interest in controlled corporation	641,135,000 Shares (L)	8.79%

(L) denotes long position in the Shares

Notes:

1. The entire issued share capital of Rich Monitor Limited and Pengxin Holdings Company Limited is held by Mr. Jiang. Therefore, Mr. Jiang is deemed to be interested in 1,742,300,000 Shares under the SFO. Mr. Jiang is a director of both Rich Monitor Limited and Pengxin Holdings Company Limited.

2. The entire issued share capital of Ansheng Holdings Co., Ltd is held by Tong Yung Ling. Therefore, Tong Yung Ling is deemed to be interested in 641,135,000 Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up) or who had any options in respect of such capital.

3. SERVICE CONTRACT

As at the Latest Practicable Date, there was no service contract or any proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group, excluding contracts expiring or determinable by the Group within a year without payment of any compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective close associates had any interests in any business which competed or might compete, either directly or indirectly, with the business of the Group as at the Latest Practicable Date.

5. MATERIAL INTERESTS

As at the Latest Practicable Date, save for Mr. Jiang holding 198,310,900 Heilongjiang Shares that are subject to selling restrictions, representing approximately 12.29% as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the assets which had been, since 31 March 2022, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired or dispose of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up).

As at the Latest Practicable Date, save for Mr. Jiang's interests in the Disposal Agreements, none of the Directors was materially interested in any contract or arrangement subsisting on the Latest Practicable Date which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up).

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, there were no litigation or claims of material importance pending or threatened against any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up).

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up) within two years immediately preceding the Latest Practicable Date:

(a) the sale and purchase agreement dated 1 October 2020 entered into between Widely Reliable Limited, a wholly-owned subsidiary of the Company, as purchaser and Rodrigo Aramayo Gandarillas as vendor in relation to the acquisition of 60% equity interest in Agropecuaria Irricobol S.R.L. at the consideration of US$420,000 (equivalent to approximately HK$3,276,000);

(b) the sale and purchase agreement dated 1 October 2020 entered into between Total Victor Investments Limited, a wholly-owned subsidiary of the Company, as purchaser and Hernan Ribera Williams as vendor in relation to the acquisition of 40% equity interest in Agropecuaria Irricobol S.R.L. at the consideration of US$280,000 (equivalent to approximately HK$2,184,000);

(c) the disposal agreement dated 27 May 2021 entered into between Interchina Tianjin and Mr. Jiang in relation to the disposal of 51,060,000 Heilongjiang Interchina Shares at the consideration of RMB119,991,000 (equivalent to approximately HK$140,989,425) ("**2021 Disposal Agreement 1**");

(d) the disposal agreement dated 27 May 2021 entered into between Interchina Tianjin and Mr. Jiang Lei in relation to the disposal of 50,540,000 Heilongjiang Interchina Shares at the consideration of RMB118,769,000 (equivalent to approximately HK$139,553,575) ("**2021 Disposal Agreement 2**");

(e) the disposal agreement dated 27 May 2021 entered into between Interchina Tianjin and Shanghai Pengxin in relation to the disposal of 125,712,500 Heilongjiang Interchina Shares at the consideration of RMB295,424,375 (equivalent to approximately HK$347,123,640) ("**2021 Disposal Agreement 3**");

(f) the joint venture agreement dated 23 September 2021 entered into between the Company and 鵬欣環球資源股份有限公司 (Pengxin International Mining Co., Ltd.*) ("**JV Partner**") in relation to the formation of a joint venture company with registered capital of RMB40,000,000 (equivalent to approximately HK$47,000,000) of which will be contributed and owned as to 12.5% by the Company and 87.5% by the JV Partner;

(g) the termination agreement dated 29 November 2021 entered into between Interchina Tianjin and Mr. Jiang in relation to the termination of 2021 Disposal Agreement 1;

(h) the termination agreement dated 29 November 2021 entered into between Interchina Tianjin and Mr. Jiang Lei in relation to the termination of 2021 Disposal Agreement 2;

(i) the termination agreement dated 29 November 2021 entered into between Interchina Tianjin and Shanghai Pengxin in relation to the termination of 2021 Disposal Agreement 3;

(j) the non-legally binging letter of intent dated 13 December 2021 entered into between EverChina Hotel Investment Limited, a direct wholly-owned subsidiary of the Company, as vendor and two independent third parties to the Company as purchasers, in relation to the potential disposal of the entire issue share capital in Loyal Rich International Investment Limited ("**Loyal Rich**"), an indirectly wholly-owned subsidiary of the Company, and the properties owned by Loyal Rich, at the consideration of approximately RMB410,000,000 (equivalent to approximately HK$481,750,000) subject to the adjustment; and

(k) the Disposal Agreements.

8. EXPERT AND CONSENT

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

Name	**Qualification**
Lego Corporate Finance Limited	a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up) or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up), or any interests, directly or indirectly, in any assets which had been, since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up, acquired, disposed of or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired, disposed of or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2022, being the date to which the latest audited consolidated accounts of the Company have been made up).

9. MISCELLANEOUS

(a) The registered office of the Company is at Unit 1506, 15th Floor, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Tengis Limited at17th Floor, Far East Finance Centre, No.16 Harcourt Road, Hong Kong.

(c) The secretary of the Company is Mr. Lau Chi Lok, Freeman who is a fellow member of Hong Kong Institute of Certified Public Accountants and member of CPA Australia.

(d) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the Stock Exchange's website and the Company's website at https://www.everchina202.com.hk/ from the date of this circular up to and including the date of the GM:

(a) the Disposal Agreements;

(b) the letter from the Board, the text of which is set out on pages 5 to 20 of this circular;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 46 of this circular;

(e) the written consent(s) referred to in the paragraph headed ''Expert and Consent'' in this appendix; and

(f) this circular.

EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤 中 國 際 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a general meeting (the "**Meeting**") of EverChina Int'l Holdings Company Limited (the "**Company**") will be held at Unit 1506, 15/F., Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong on Thursday, 20 October 2022 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

Ordinary Resolutions

1. "**THAT**:

(i) the disposal agreement (the "**Disposal Agreement 1**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification) dated 9 August 2022 entered into between 國中(天津)水務有限公司 (Interchina (Tianjin) Water Treatment Company Limited*), a wholly-owned subsidiary of the Company, as vendor and Mr. Jiang Zhaobai as purchaser in relation to the disposal of 100,000,000 shares in the capital of 黑龍江國中水務股份有限公司 (Heilongjiang Interchina Water Treatment Company Limited*) that are not subject to selling restrictions at the aggregate consideration of RMB254,000,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Disposal Agreement 1 and the transactions contemplated thereunder."

2. "**THAT**:

(i) the disposal agreement (the "**Disposal Agreement 2**", a copy of which has been produced to the meeting marked "B" and signed by the chairman of the Meeting for the purpose of identification) dated 9 August 2022 entered into between 國中(天津)水務有限公司 (Interchina (Tianjin) Water Treatment Company Limited*), a wholly-owned subsidiary of the Company, as vendor and 上海鵬欣(集團)有限公司 (Shanghai Pengxin (Group) Co., Ltd*) as purchaser in relation to the disposal of 127,312,500 shares in the capital of 黑龍江國中水務股份有限公司 (Heilongjiang Interchina Water Treatment Company Limited*) that are not subject to selling restrictions at the aggregate consideration of RMB323,373,750 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Disposal Agreement 2 and the transactions contemplated thereunder."

By order of the Board
EverChina Int'l Holdings Company Limited
Lam Cheung Shing, Richard
Chief Executive Officer and Executive Director

Hong Kong, 23 September 2022

Registered office:
Unit 1506, 15th Floor
Capital Centre
151 Gloucestor Road
Wanchai, Hong Kong

* *For identification purpose only*

Notes:

1. A shareholder of the Company entitled to attend and vote at the Meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.

2. For the purpose of determining Shareholders who are entitled to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 17 October 2022 to Thursday, 20 October 2022, both dates inclusive, during which period, no transfer of shares of the Company ("**Share(s)**") will be registered. To be eligible to attend and vote at the Meeting, all transfer of Shares accompanied by the relevant share certificates must be deposited at the Company's share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not later than 4:30 p.m. on Friday, 14 October 2022.

3. Where there are joint registered holders of any share of the Company (the "**Share**"), any one such persons may vote at the Meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's share registrar, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

5. As at the date of this notice, the executive directors of the Company are Mr. Jiang Zhaobai, Mr. Lam Cheung Shing, Richard and Mr. Chen Yi, Ethan; and the independent non-executive directors of the Company are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Mr. Ng Ge Bun.