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STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE PROPOSED ACQUISITION OF INTEREST IN
THE BUSINESS OF UNMANNED AERIAL VEHICLES
INVOLVING ISSUE OF CONSIDERATION SHARES UNDER
GENERAL MANDATE**

THE PROPOSED ACQUISITION

The Board is pleased to announce that on 29 March 2023 (after the Stock Exchange trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Equity Interest at a consideration of HK\$30,946,365.40. The Consideration shall be satisfied by the allotment and issue of 154,731,827 Consideration Shares by the Company to the Vendors (or its nominee(s)) at the issue price of HK\$0.2 per Consideration Share, credited as fully paid, under the General Mandate.

The Consideration Shares represent approximately 20% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issues or repurchase of Shares prior to Completion).

Following Completion, the Target Company will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the Acquisition exceeds 5% but does not exceed 25% of one or more of the applicable percentage ratios (as defined in the Listing Rules), the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

The Consideration Shares will be issued under the General Mandate.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment (or waiver, if applicable) of the conditions precedent under the Agreement, and Completion may or may not take place. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that on 29 March 2023 (after the Stock Exchange trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Equity Interest at a consideration of HK\$30,946,365.40 which will be satisfied by the issue and allotment by the Company to the Vendors the Consideration Shares at Completion.

Details of the Agreement are set out below.

THE AGREEMENT

Date

29 March 2023

Parties

- (i) The Company; and
- (ii) the Vendors.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendors are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to acquire (or procure its nominee(s) to acquire), and the Vendors have conditionally agreed to sell, the Equity Interest, representing the entire equity interest in the Target Company, free from encumbrances and together with all rights attached thereto as at the Completion Date.

Consideration

The Consideration of HK\$30,946,365.40 shall be satisfied by the Company to the Vendors or their nominees by the issue and allotment of 154,731,827 Consideration Shares, to be credited as fully paid at Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendors having taken into account (i) the net liabilities of the Target Group in the sum of approximately RMB989,000 (equivalent to HK\$1,117,514.12) as of 31 December 2022; (ii) the Valuation in the sum of RMB28,075,000 (equivalent to HK\$31,723,163.8) as appraised by the Valuer as at 31 December 2022; and (iii) the reasons for and benefits of the Acquisition as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below.

Consideration Shares

The Consideration Shares represent approximately 20% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issue or repurchase of Shares prior to Completion).

The Consideration Shares will be issued by the Company under the General Mandate. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when allotted and issued, shall be credited as fully paid and at all times rank *pari passu* among themselves and with the Shares in issue as at the date of issue of the Consideration Shares.

The Issue Price of HK\$0.2 per Consideration Share was determined after arm's length negotiations between the parties to the Agreement with reference to, among other things, the recent trading prices of the Shares, which represents:

- (i) a discount of approximately 7.83% over the closing price of HK\$0.217 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 2.06% over the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of HK\$0.2042 per Share;
- (iii) a discount of approximately 0.79% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.2016 per Share; and
- (iv) a discount of approximately 46.92% over the unaudited consolidated net asset value per Share of approximately HK0.38 as at 30 September 2022 (which is calculated by dividing the unaudited consolidated equity attributable to equity holders of the Company as at 30 September 2022 of approximately HK\$291,480,000 as shown in the Company's interim report by 773,659,139 Shares then in issue).

Based on the closing price of the Shares of HK\$0.217 as quoted on the Stock Exchange as at the Last Trading Day, the Consideration Shares would have a total market value of approximately HK\$33,576,860.5.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Company having completed and satisfied in its absolute discretion with the results of the Due Diligence Investigation;
- (ii) the Vendor have complied with all necessary statutory and government regulatory requirements in in PRC, Hong Kong and other jurisdictions (if applicable), and has obtained regulatory, government and third party approvals, consents and/or exemption;
- (iii) the Stock Exchange granting approval for the listing of, and permission to deal in, the Consideration Shares;
- (iv) there has not been any material adverse change in any member of the Target Group between the date of the Agreement up to the Completion Date; and
- (v) the representations and warranties given in the Agreement remaining true and accurate between the date of the Agreement up to the Completion Date.

The parties to the Agreement shall use their best endeavours to fulfill all conditions precedent. If any of the above conditions have not been fulfilled or waived (other

than conditions (ii) and (iii) which may not be waived) on or before the Long Stop Date, the Agreement shall, without prejudice to the rights or remedies of any of the parties to the Agreement in respect of claims arising out of any antecedent breach of the Agreement, become void and of no further effect.

Completion

Completion shall take place on the seventh (7th) Business Day following the fulfilment (or waiver if applicable) of the conditions precedent or such other date as the parties to the Agreement shall agree in writing.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

INFORMATION OF THE VENDOR

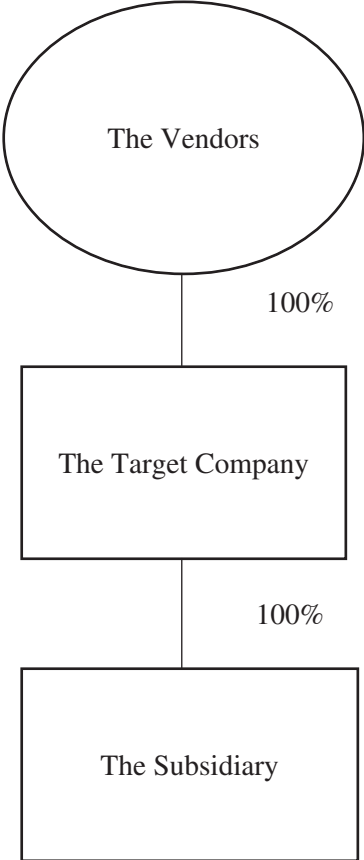
The Vendors are natural persons and Independent Third Parties.

INFORMATION ON THE TARGET GROUP

Corporate structure

As at the date of this announcement, the Target Company has a registered capital in the sum of RMB15,840,000 which is paid up by the Vendors.

The corporate structure of the Target Group as at the date of this announcement is as follows:



The Target Company and the Subsidiary are established under the laws of the PRC and are principally carrying out the business of in research and development, design, production, sales, training and service of unmanned aerial vehicles. The Target Group is based at at High-tech Zone, Jining City, Shandong Province, Shandong, the PRC.

Financial information

Set out below is a summary of the unaudited consolidated financial information of the Target Group for the financial years ended 31 December 2021 and 31 December 2022:

	For the financial year ended 31 December 2021	For the financial year ended 31 December 2022
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>approximately</i>	<i>approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss) profit before taxation	(3,818)	344
Net (loss) profit after taxation	(3,818)	344

The unaudited net liabilities value of the Target Group as at 31 December 2022 as shown in the unaudited consolidated management accounts of the Target Group was approximately RMB989,000.

Profit forecast requirements under the Listing Rules

Given the Valuation was based on the income approach, which involves the use of discounted cash flows method, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules Apply.

For the purpose of complying with Rules 14.60A and 14.62 of the Listing Rules, the details of the principal assumptions, including commercial assumptions, upon which the Valuation was based are as follows:

- The Targe Group is assumed to have no contingent assets and liabilities or any other off-balance sheet items which should be recognized or valued attributable to the Target Group;
- To continue as a going concern, the Target Group will successfully carry out all necessary activities for the development of its business;

- The contractual parties of relevant agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties and will be renewable upon expiry, if applicable;
- The audited/unaudited financial and operational information of the Target Group as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Target Group as at the respective balance sheet dates;
- The availability of financing will not be a constraint on the forecast growth of the Target Group's operations;
- Market trends and conditions where the Target Group operates will not deviate significantly from the economic forecasts in general;
- Key management, competent personnel and technical staff will all be retained to support ongoing operations of the Target Group;
- There will be no material changes in the business strategy of the Target Group and its expected operating structure;
- Interest rates and exchange rates in the localities for the operations of the Target Group will not differ materially from those presently prevailing;
- All relevant consents, business certificates, licenses or other legislative or administrative approvals from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Group operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Group.

Confirmations

CL Partners CPA Limited (“**CL Partners**”) has been engaged by the Company to review the calculations of the discounted future cash flows upon which the Valuation was based on, which do not involve the adoption of accounting policies and the appropriateness and validity of the assumptions.

The Board has reviewed and considered the Valuation including the principal assumptions upon which the Valuation was based. The Board has also considered the report from CL Partners. On the basis of the foregoing, the Board is of the opinion that the Valuation has been made after due and careful enquiry.

A letter from the Board and a report from CL Partners are included in the appendices to this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules.

Experts and Consents

The qualifications of the Valuer and CL Partners are as follows:

Name	Qualifications
Valplus Consulting Limited	Professional valuer
CL Partners	Certified Public Accountants

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Valuer and CL Partners is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither of the Valuer or CL Partners has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of this announcement, each of the Valuer and CL Partners does not have any direct or indirect interests in any assets which have been since 31 March 2022 (the date to which the latest published annual result of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group. Each of the Valuer and CL Partners has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its opinion and advice in its report/letter and all references to its name in the form and context in which it appears in this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) the sourcing, subcontracting, marketing and sales of garments and sportswear products; (ii) the provision of marketing services; (iii) property investment; and (iv) the wholesale of timepieces and accessories.

To maximise Shareholders’ value and bring long term benefits to the Group, the Company has been actively exploring business opportunities in different sectors which can diversify its source of income and achieve sustainable growth. The Directors are of the view that the Acquisition represents an opportunity for the Group to tap into the high technology business in unmanned aerial vehicles which have a variety of applications including surveying and mapping, inspection, security, logistics, tethering and environmental protection in order to capture the prospective return on investment and is therefore in the long-term interests of the Group.

Upon completion of the Acquisition, the Target Company will become a subsidiary of the Company, and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

The Directors believe that the Acquisition is in the best interest of the Company and the terms of the Agreement are in normal commercial terms, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company as at the date of this announcement and immediately following Completion, assuming there will not be any other issue or repurchase of Shares prior to Completion, are set out as follows:

Shareholders	As at the date of this announcement		Immediately following Completion	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Zhang Jinbing (“Mr. Zhang”) (Note 1)	552,238,938	71.38	552,238,938	59.48
Mr. Tian Wenxi (“Mr. Tian”) (Note 2)	13,774,277	1.78	13,774,277	1.48
The Vendors	—	—	154,731,827	16.67
Public Shareholders	228,363,507	26.84	228,363,507	22.37
				(Note 3)
Total	<u>773,659,139</u>	<u>100.0</u>	<u>928,390,996</u>	<u>100.0</u>

Notes:

- (1) Always Profit Development Limited is wholly owned by Mr. Zhang who is a Director and the Chairman of the Board.
- (2) 8,608,923 out of 13,774,277 shares were held by Wenxi Investment Management Co., Ltd. (“**Wenxi Investment**”) and 5,165,354 out of 13,774,277 shares were held by Dye Culture Development Limited (“**Dye Culture**”). Both Wenxi Investment and Dye Culture were wholly-owned by Mr. Tian. Hence Mr. Tian was deemed to be interested in the 13,774,277 Shares in the Company held by Wenxi Investment and Dye Culture pursuant to the SFO. Mr. Tian was an executive director of the Company until he has resigned as a director of the Company on 17 October 2022.
- (3) If the Company cannot meet the public float requirement under Rule. 8.08(1)(a) of the Listing Rules at completion, the Company shall take appropriate steps to restore the minimum public float requirement within a specified period of time to be agreed by the Stock Exchange.

LISTING RULES IMPLICATIONS

As the Acquisition exceeds 5% but does not exceed 25% of one or more of the applicable percentage ratios (as defined in the Listing Rules), the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

The Consideration Shares will be issued under the General Mandate. Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Completion is subject to the fulfilment of the conditions precedent under the Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the proposed acquisition by the Company (or its nominee(s)) of the Equity Interest from the Vendors pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 29 March 2023 and entered into between the Company and the Vendors in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	State Energy Group International Assets Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 918)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement

“Completion Date”	the date on which Completion takes place
“Consideration”	the consideration for the sale and purchase of the Equity Interest in the sum of HK\$30,946,365.40
“Consideration Shares”	154,731,827 new Shares to be allotted and issued to the Vendors as settlement of the whole Consideration, provided that if prior to the Completion Date, there occurs a subdivision or consolidation of the Shares, any reference to “Consideration Shares” in the Agreement shall be to such number of Shares in the capital of the Company which are derived from those 154,731,827 Shares following such subdivision or consolidation of the Shares, and “Consideration Share” means any one of them
“Director(s)”	the director(s) of the Company
“Due Diligence Investigation”	the legal, financial, business and other due diligence investigation in respect of the assets, liabilities, businesses, prospects and other affairs of the Target Group as the Company may in its sole and absolute discretion consider necessary or desirable
“Equity Interest”	the entire equity interest in the Target Company as at the date of the Agreement and at Completion
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 22 August 2022 to allot, issue and deal with up to 154,731,827 new Shares, being approximately 20% of the then issued capital of the Company as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Issue Price”	the issue price of the Consideration Shares of HK\$0.2 per Consideration Share
“Last Trading Day”	28 March 2023, being the last trading day on which the Shares were traded on the Stock Exchange immediately prior to the date of the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2023, or such later date as the Vendor and the Company may agree in writing
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the legal currency of the PRC
“Share(s)”	ordinary share(s) of HK\$ 0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	山東豐翼智能科技有限責任公司, in English, for identification purpose only, Shandong Fengyi Intelligent Technology Co., Ltd., a domestic company established under the laws of the PRC, its entire equity interest is held by the Target Company

“Target Company”	山東龍翼航空科技有限公司 (Shandong Longyi Aviation Technology Co., Ltd), a domestic company established under the laws of the PRC, its entire equity interests are owned as to 53.7% by Wang Yuelai, 26.1% by Yang Zeyun, 5% by Ma Zhihui, 4.6% by Yang Tao, 3.7% by Wang Yuepeng, 3% by Wang Taion, 2% by Yang Huahai, 1.3% by Zhu Xinhai and 0.6% by Liu Jianwei.
“Target Group”	the Target Company and The Subsidiary
“Valuation”	the final appraisal of the Target Group under the income approach as at 31 December 2022 by the Valuer
“Valuer”	Valplus Consulting Limited, the independent professional valuer
“Vendors”	Wang Yuelai, Yang Zeyun, Ma Zhihui, Yang Tao, Wang Yuepeng, Wang Taion, Yang Huahai, Zhu Xinhai and Liu Jianwei, natural persons
“HK\$”	Hong Kong dollar(s), the lawful currency for the time being of Hong Kong
“%”	per cent.

By order of the Board
State Energy Group International Assets Holdings Limited
Zhang Jinbing
Chairman

Hong Kong, 29 March 2023

For the purpose of this announcement, the conversion rate of Hong Kong dollar to Renminbi is HK\$1: RMB0.885.

As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Jinbing and Mr. Wu Tingjun; and the independent non-executive Directors of the Company are Ms. Choi Ka Ying, Mr. Chen Conghu and Ms. He Xiaodong.

APPENDIX I — LETTER FROM THE BOARD

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place Central,
Hong Kong

29 March 2023

Dear Sirs,

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTEREST IN THE BUSINESS OF UNMANNED AERIAL VEHICLES INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

We refer to the announcements of State Energy Group International Assets Holdings Limited dated 29 March 2023 (the “**Announcement**”) relating to the above matter. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise defined.

We refer to the valuation report of even date issued by Valplus Consulting Limited (the “**Valuer**”) regarding appraisal of the market value of Shandong Longyi Aviation Technology Co., Ltd. and its subsidiary as at 31 December 2022 based on the discounted future cash flows (the “**Valuation Report**”), which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation Report has been prepared, and reviewed the Valuation Report for which the Valuer is responsible. We have also considered the report from CL Partners regarding whether the Valuation, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the Valuation Report. We have noted that the Valuation and the profit forecast in the Valuation Report are mathematically accurate and are presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board is of the opinion that the Valuation Report prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of the Board

State Energy Group International Assets Holdings Limited

Zhang Jinbing

Chairman

APPENDIX II — REPORT OF CL Partners

The following is the text extracted from a report received from CL Partners, for the purpose of incorporation in this announcement.

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF SHANDONG LONGYI AVIATION TECHNOLOGY CO., LTD

TO THE DIRECTORS OF STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the business valuation prepared by Valplus Consulting Limited dated 29 March 2023, in respect of the appraisal of the fair value of the 100% equity interest in Shandong Longyi Aviation Technology Co., Ltd (the “Valuation”) is based. Shandong Longyi Aviation Technology Co., Ltd (the “Target Company”) and its wholly owned subsidiary, Shandong Fengyi Intelligent Technology Co., Ltd. (collectively referred to the “Target Group”) are companies established under the laws of the People’s Republic of China and are principally carrying out the business of research and development, design, production, sales, training and service of unmanned aerial vehicles. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and will be included in an announcement dated 29 March 2023 to be issued by State Energy Group international Assets Holdings Limited (the “Company”) in connection with the acquisition of interest in the business of unmanned aerial vehicles (the “Announcement”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the “Assumptions”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Group.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

CL Partners CPA Limited

Certified Public Accountants

Fong Ho Keung

Practising Certificate Number: P08079

Hong Kong