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;
(2) RE-ELECTION OF DIRECTOR;
AND
(3) 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 19 of this circular. A letter from the Independent Board Committee is set out on pages 20 to 21 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 22 to 41 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 Friday, 3 September 2021, at 10:30 a.m. is set out on pages 52 to 54 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 Level 54, Hopewell Centre, 183 Queen's Road East, 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.

26 July 2021

CONTENTS

Page

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 GM 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.

(iv) Each attendee will be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the GM; and (b) he/she is subject to any quarantine prescribed by the Hong Kong Government. Anyone with an affirmative answer to any of these questions will be denied entry into the meeting venue and will be required to leave the meeting venue.

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 meanings:

"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 RMB534,184,375 (equivalent to approximately HK$643,585,000) 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 27 May 2021 entered into between Interchina Tianjin and Mr. Jiang in relation to the disposal of 51,060,000 Heilongjiang Shares by Interchina Tianjin
"Disposal Agreement 2"	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 Shares by Interchina Tianjin
"Disposal Agreement 3"	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 Shares by Interchina Tianjin
"Disposal Agreements"	collectively, the Disposal Agreement 1, the Disposal Agreement 2 and the Disposal Agreement 3

"Existing Loan"	the aggregate amount of RMB783,553,333.34 (equivalent to approximately HK$944,025,000) 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 and the re-election of Director
"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"	21 July 2021, 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, Mr. Jiang Lei (the brother of 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 and as to 1% by Mr. Jiang Lei
"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$1.2048 for illustrative purpose.

* *For identification purposes 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:
Suites 601–603
6/F., Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

26 July 2021

To the Shareholders,

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTIONS;
(2) RE-ELECTION OF DIRECTOR;
AND
(3) NOTICE OF GENERAL MEETING

INTRODUCTION

On 27 May 2021 (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 51,060,000 Sale Shares at an aggregate consideration of RMB119,991,000 (equivalent to approximately HK$144,565,000); (ii) the Disposal Agreement 2 with Mr. Jiang Lei, pursuant to which Interchina Tianjin has conditionally agreed to sell and Mr. Jiang Lei has conditionally agreed to acquire 50,540,000 Sale Shares at an aggregate consideration of RMB118,769,000 (equivalent to approximately HK$143,093,000); and (iii) the Disposal Agreement 3 with Shanghai Pengxin, pursuant to which Interchina Tianjin has conditionally agreed to sell and Shanghai Pengxin has conditionally agreed to acquire 125,712,500 Sale Shares at an aggregate consideration of RMB295,424,375 (equivalent to approximately HK$355,927,000).

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. Mr. Jiang Lei is the brother of Mr. Jiang. As at the Latest Practicable Date, Shanghai Pengxin was owned as to 99% by Mr. Jiang and as to 1% by Mr. Jiang Lei. 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) the re-election of a Director; (v) a notice of the GM; and (vi) other information as required under the Listing Rules.

THE DISPOSAL AGREEMENTS

Date

27 May 2021 (after trading hours of the Stock Exchange)

	Disposal Agreement 1	**Disposal Agreement 2**	**Disposal Agreement 3**
Parties:			
Vendor:	Interchina Tianjin, a wholly-owned subsidiary of the Company	Interchina Tianjin, a wholly-owned subsidiary of the Company	Interchina Tianjin, a wholly-owned subsidiary of the Company
Purchaser:	Mr. Jiang	Mr. Jiang Lei	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.	Mr. Jiang Lei is the brother of Mr. Jiang and he is therefore regarded as a connected person of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, Mr. Jiang Lei did not hold any Shares or Heilongjiang Shares.	As at the Latest Practicable Date, Shanghai Pengxin was owned as to 99% by Mr. Jiang and as to 1% by Mr. Jiang Lei. 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.

	Disposal Agreement 1	Disposal Agreement 2	Disposal Agreement 3
Assets to be disposed of:	51,060,000 Heilongjiang Shares, representing approximately 3.09% 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	50,540,000 Heilongjiang Shares, representing approximately 3.05% 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	125,712,500 Heilongjiang Shares, representing approximately 7.60% 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:	RMB119,991,000 (equivalent to approximately HK$144,565,000), representing RMB2.35 (equivalent to approximately HK$2.83) per Sale Share	RMB118,769,000 (equivalent to approximately HK$143,093,000), representing RMB2.35 (equivalent to approximately HK$2.83) per Sale Share	RMB295,424,375 (equivalent to approximately HK$355,927,000), representing RMB2.35 (equivalent to approximately HK$2.83) per Sale Share
Payment terms:	As at the Latest Practicable Date, Interchina Tianjin was indebted to Shanghai Pengxin in the aggregate amount of RMB783,553,333.34 (equivalent to approximately HK$944,025,000) which was 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 RMB119,991,000 (equivalent to approximately HK$144,565,000) at its face value ("**Mr. Jiang Loan**"). Mr. Jiang Loan shall be non-interest bearing, unsecured and repayable on demand. Upon Completion, the consideration of RMB119,991,000 (equivalent to approximately HK$144,565,000) shall be set-off against Mr. Jiang Loan on a dollar-for-dollar basis. Mr. Jiang Loan shall extinguish upon such set-off at Completion.	Immediately before Completion, Shanghai Pengxin shall assign to Mr. Jiang Lei part of the Existing Loan in the amount of RMB118,769,000 (equivalent to approximately HK$143,093,000) at its face value ("**Mr. Jiang Lei Loan**"). Mr. Jiang Lei Loan shall be non-interest bearing, unsecured and repayable on demand. Upon Completion, the consideration of RMB118,769,000 (equivalent to approximately HK$143,093,000) shall be set-off against Mr. Jiang Lei Loan on a dollar-for-dollar basis. Mr. Jiang Lei Loan shall extinguish upon such set-off at Completion.	Immediately after the assignment of Mr. Jiang Loan and Mr. Jiang Lei Loan, Interchina Tianjin shall owe Shanghai Pengxin a total of RMB544,793,333.34 (equivalent to approximately HK$656,367,000) ("**Shanghai Pengxin Loan**"). Upon Completion, the consideration of RMB295,424,375 (equivalent to approximately HK$355,927,000) shall be set-off against the equivalent portion of the Shanghai Pengxin Loan on a dollar-for-dollar basis. After Completion, Interchina Tianjin shall continue to owe Shanghai Pengxin an amount of RMB249,368,958.34 (equivalent to approximately HK$300,440,000), which shall continue to be non-interest bearing, unsecured and repayable on demand. Shanghai Pengxin had undertaken not to request for repayment of RMB200,000,000 (equivalent to approximately HK$240,960,000) of such remaining outstanding amount prior to the expiry of 18 months calculated from 4 June 2021.

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, the Disposal Agreement 2 and the Disposal Agreement 3 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 or the Disposal Agreement 3 (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 31 October 2021 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.

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.

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

Basis of Consideration

The Consideration, being an aggregate of RMB534,184,375 (equivalent to approximately HK$643,585,000), representing RMB2.35 (equivalent to approximately HK$2.83) 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 RMB2.35 (equivalent to approximately HK$2.83) per Sale Share represents:

(i) a discount of 2.89% to the closing price of RMB2.42 (equivalent to approximately HK$2.92) per Heilongjiang Share that is not subject to selling restrictions as quoted on the Shanghai Stock Exchange on 27 May 2021, being the date of the Disposal Agreements;

(ii) a premium of 1.03% over the average closing price of RMB2.326 (equivalent to approximately HK$2.80) per Heilongjiang Share that is 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 premium of 0.77% over the average closing price of RMB2.332 (equivalent to approximately HK$2.81) per Heilongjiang Share that is 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) the closing price of RMB2.35 (equivalent to approximately HK$2.83) per Heilongjiang Share that is not subject to selling restrictions as quoted on the Shanghai Stock Exchange as at the Latest Practicable Date; and

(v) a premium of approximately 13.20% over the unaudited consolidated net asset value of RMB2.076 (equivalent to approximately HK$2.50) per Heilongjiang Share that is not subject to selling restrictions as at 31 March 2021.

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 were not subject to selling restrictions (being the Sale Shares), representing approximately 13.74% of Heilongjiang Interchina's issued share capital (including shares that were (i) not subject to selling restrictions; and (ii) subject to selling restrictions).

As at the Latest Practicable Date, Mr. Jiang was also interested in 198,310,900 Heilongjiang Shares that were subject to selling restrictions, representing approximately 11.99% of Heilongjiang Interchina's issued share capital (including shares that were (i) not subject to selling restrictions; and (ii) subject to selling restrictions). After the Disposal, 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 2020 and for the three months ended 31 March 2021, which was prepared in accordance with PRC accounting standard:

	For the year ended 31 December 2019	**For the year ended 31 December 2020**	**For the three months ended 31 March 2021**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Profit/(loss) before taxation	48,051	59,757	(8,641)
Profit/(loss) after taxation	22,445	27,292	(12,442)

The audited consolidated net assets of Heilongjiang Interchina as at 31 December 2019 and 2020 were approximately RMB3,452,081,000 (equivalent to approximately HK$4,159,067,000) and RMB3,445,691,000 (equivalent to approximately HK$4,151,369,000) respectively. As at 31 March 2021, the unaudited consolidated net assets of Heilongjiang Interchina amounted to RMB3,433,729,000 (equivalent to approximately HK$4,136,957,000).

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 Sale Shares were acquired in January 2009 with an average investment cost of approximately RMB1.09 (equivalent to approximately HK$1.31) per Heilongjiang Share.

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. Prior to the signing of the Disposal Agreements in May 2021, as disclosed in the Group's interim report for the six months ended 30 September 2020, the carrying value of the Sale Shares amounted to approximately RMB568,281,000 (equivalent to approximately HK$638,518,000 as at 30 September 2020) as at 30 September 2020, representing approximately RMB2.5 (equivalent to approximately HK$2.81 as at 30 September 2020) per Heilongjiang Share that was not subject to selling restrictions. As disclosed in the Company's results announcement for the year ended 31 March 2021, the carrying value of the Sale Shares amounted to approximately RMB579,832,000 (equivalent to approximately HK$720,279,000 as at 31 March 2021) as at 31 March 2021, representing approximately RMB2.63 (equivalent to approximately HK$3.17 as at 31 March 2021) 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. Prior to the signing of the Disposal Agreements in May 2021, the highest trading price per Heilongjiang Share reached RMB11.19 (equivalent to approximately HK$13.48) on 4 June 2015 while the lowest trading price per Heilongjiang Share was RMB2.02 (equivalent to approximately HK$2.43) on 4 February 2020. Due to continuing decrease in the trading price of Heilongjiang Shares, the Group recognised a substantial unrealised loss for the investment. In the five years prior to the signing of the Disposal Agreements in May 2021, the Group recognised aggregate unrealised loss of approximately HK$1,610,273,000 arising on change in fair value of the Sale Shares, representing approximately 64% of the aggregate losses of approximately HK$2,513,470,000 for the five year period commencing from 2016. No dividend income has been received from the investment in the Sale Shares.

Business of Heilongjiang Interchina

The Board further noted that the business of Heilongjiang Interchina has been weakening in recent years. Heilongjiang Interchina recorded total operating income of approximately RMB379,101,000 (equivalent to approximately HK$456,741,000) for the year ended 31 December 2020, representing a decrease of approximately RMB158,736,000 (equivalent to approximately HK$191,245,000) or 29.5% as compared to the previous year. As noted from the Heilongjiang Interchina's annual reports for the year ended 31 December 2019 and for the year ended 31 December 2020, the decrease was mainly attributable to (i) the income from water supply and sewage treatment having decreased from approximately RMB308,110,000 (equivalent to approximately HK$371,211,000) in 2019 to approximately RMB256,343,000 (equivalent to approximately HK$308,842,000) in 2020 as a result of disposal of three water supply plants and two sewage treatment plants; and (ii) the income of environmental protection construction project having largely decreased from approximately RMB204,864,000 (equivalent to approximately HK$246,820,000) in 2019 to approximately RMB73,332,000 (equivalent to approximately HK$88,350,000) in 2020 because of the negative impact of COVID-19.

For the year ended 31 December 2020, Heilongjiang Interchina recorded net profit of approximately RMB27,202,000 (equivalent to approximately HK$32,773,000), representing an increase of 21.2% or RMB4,757,000 (equivalent to approximately HK$5,731,000) as compared to the net profit of RMB22,445,000 (equivalent to approximately HK$27,042,000) in 2019. It was noted the net profit for both years of 2020 and 2019 in fact included an investment income of approximately RMB48,101,000 (equivalent to approximately HK$57,952,000) and RMB114,844,000 (equivalent to approximately HK$138,364,000) respectively. According to the annual report of Heilongjiang Interchina for the year ended 31 December 2019, such investment income mainly consisted of the gain on disposal of water supply and sewage treatment project companies of approximately RMB92,618,000, (equivalent to approximately HK$111,586,000) and interest income and other investment income, net of approximately RMB22,226,000 (equivalent to approximately HK$26,778,000), which was not related to the principal business operation of Heilongjiang Interchina. If the investment income was fully excluded from the net profit, Heilongjiang Interchina would have record a net loss of approximately RMB92,399,000 (equivalent to approximately HK$111,322,000) from its principal business for the year ended 31 December 2019. According to the annual report of Heilongjiang Interchina for the year ended 31 December 2020, the investment income mainly consisted of interest income and other investment income, net of approximately RMB48,101,000 (equivalent to approximately HK$57,952,000) which was not related to the principal business of Heilongjiang Interchina. If the investment income was fully excluded from the net profit, Heilongjiang Interchina would recorded a net loss of approximately RMB20,809,000 (equivalent to approximately HK$25,071,000) from its principal business for the year ended 31 December 2020. It was noted that the decrease in loss as compared to 2019 was mainly due to the decrease in impairment loss on account and other receivables from approximately RMB120,368,000 (equivalent to approximately HK$145,019,000) for the year ended 31 December 2019 to approximately RMB60,090,000 (equivalent to approximately HK$72,396,000) for the year ended 31 December 2020.

For the three months ended 31 March 2021, Heilongjiang Interchina recorded revenue of approximately RMB93,790,000 (equivalent to approximately HK$112,998,000), representing an increase of 48.2% or RMB30,516,000 (equivalent to approximately HK$36,766,000) as compared to the revenue of RMB63,274,000 (equivalent to approximately HK$76,233,000) in same period of previous year. As noted from the first quarter report of Heilongjiang Interchina for the three months ended 31 March 2021, the increase was mainly due to increase in construction income which was impacted by COVID-19 in the previous year, and increased sewage income from a sewage treatment plant. However, it was noted that the operating costs of goods sold also increased by approximately RMB28,735,000 (equivalent to approximately HK$34,620,000) or 56% from RMB51,343,000 (equivalent to approximately HK$61,858,000) of the same period in the previous year to approximately RMB80,077,000 (equivalent to approximately HK$96,477,000) of the first quarter of 2021. Therefore, the gross profit margin decreased from 18.9% to 14.6%. Besides, for the three months ended 31 March 2021, although the revenue increased by 48.2%, Heilongjiang Interchina recorded a loss of approximately RMB12,442,000 (equivalent to approximately HK$14,990,000) as opposed to a profit of approximately RMB15,650,000 (equivalent to approximately HK$18,855,000) of the same period in the previous year.

In the past three 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 537,500 tonnes or 51.2% from approximately 1,050,000 tonnes on 31 December 2017 to approximately 513,000 tonnes on 31 December 2020. At the same time, Heilongjiang Interchina had proposed a material acquisition in February 2019 for the purpose of diversifying its business. However, as disclosed in the announcement of Heilongjiang Interchina on 28 July 2020, such acquisition was subsequently terminated.

As mentioned in the Group's interim report for the six months ended 30 September 2020, the Group would closely monitor market changes and would realise its investment to enhance the Group's working capital if necessary, and when timing was appropriate. In view of the reasons above, the Company considers it is time to realise its investment in Heilongjiang Interchina via the Disposal. After the Disposal, the Company will cease the operation of securities investment business.

The Group's overall assessment of its investment in the Sale Shares

In previous years, the Group was of the view that although the losses recognised were material, it was only a fair value adjustment without any effect to the Group's cashflow and operation. This investment has been treated as a strategic investment of the Company's. In particular, due to the increasing demand in environmental protection in the PRC, the Company was optimistic to its investment in Heilongjiang Interchina for long-term growth.

However as set out above, the Company had come to note that the aggregate daily capacity of Heilongjiang Interchina had substantially decreased by 537,500 tonnes from approximately 1,050,000 tonnes on 31 December 2017 to 513,000 tonnes on 31 December 2020 (reduced by more than 50%) as a result of subsidiary disposals. These subsidiaries were engaged in water supply and sewage treatment plants. On the other hand, the proposed material acquisition of a solid waste management project was eventually terminated. The Company has further noted that Heilongjiang Interchina currently does not have any long-term plan to expand its principal business.

As set out in the section headed "Financial Effect" below, the Disposal is likely to generate a loss to the Company based on the unaudited carrying amount of the Sale Shares as at the Latest Practicable Date. According to the Company's accounting policies and the relevant financial reporting standards, the investment in the Sale Shares is recorded by fair/ market value at each of its reporting period. The expected loss is calculated by comparing the carrying value of the Sale Shares as at the Latest Practicable Date. In considering the Disposal's fairness and reasonableness, and whether it is in the interest of the Company and the Independent Shareholders as a whole, the Company had considered the average investment cost of approximately RMB1.09 (equivalent to approximately HK$1.31) per Heilongjiang Share. Based on such investment cost, the Disposal should generate a profit of RMB286,413,000 (equivalent to approximately HK$345,070,000) before any transaction costs and tax, calculated by deducting the investment cost of RMB1.09 per Sale Share (equivalent to approximately HK$1.31) from the Consideration of RMB2.35 per Sale Share (equivalent to approximately HK$2.83), and then multiplying the same by the number of Sale Shares.

In addition, Heilongjiang Interchina recorded a loss for the three months ended 31 March 2021, as opposed to a profit for the same period of the previous year. Accordingly, the Company has decided to conduct the Disposal now so that it can liquidate this non-income generating asset and further reduce the Group's liabilities.

The Disposal

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 very 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$242,309,000) 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$701,715,000) from Shanghai Pengxin, all of 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$944,025,000, being the Existing Loan). Given the Disposal was made to Shanghai Pengxin and its shareholders, the parties therefore agreed that the Consideration be made payable by way of partial set-off of the Existing Loan. After Completion, the Group shall continue to owe Shanghai Pengxin an amount of RMB249,368,958.34 (equivalent to approximately HK$300,440,000), which shall continue to be non-interest bearing, unsecured and repayable on demand. Shanghai Pengxin had undertaken not to request for repayment of RMB200,000,000 (equivalent to approximately HK$240,960,000) of such remaining outstanding amount prior to the expiry of 18 months calculated from 4 June 2021.

Use of proceeds

The proceeds amounting to RMB534,184,375 (equivalent to approximately HK$643,585,000) from the Disposal will be used by the Group to set-off against Mr. Jiang Loan, Mr. Jiang Lei Loan and part of Shanghai Pengxin Loan upon Completion.

As stated in the annual report of the Company for the year ended 31 March 2019, the Group had outstanding "other borrowings" of approximately HK$887,112,000. It mainly consisted of borrowings denominated in RMB of approximately RMB740,000,000 (equivalent to approximately HK$870,588,000) and borrowings denominated in HK$ of HK$16,524,000. During the year ended 31 March 2020, the Group repaid part of such "other borrowings" of RMB162,000,000 (equivalent to approximately HK$190,585,000) whereupon the source of funds was mainly financed by Shanghai Pengxin.

As stated in the annual report of the Company for the year ended 31 March 2020, the Group's outstanding "other borrowings" decreased by approximately HK$216,366,000 to approximately HK$654,222,000. It mainly consisted of borrowings denominated in RMB of approximately RMB578,000,000 (equivalent to approximately HK$642,222,000) and borrowings denominated in HK$ of HK$12,000,000.

During the year ended 31 March 2021, the Group fully repaid such "other borrowings" of RMB578,000,000 (equivalent to approximately HK$696,374,000) whereupon the source of funds was fully financed by Shanghai Pengxin. As disclosed in the Company's results announcement for the year ended 31 March 2021, the Company recorded an imputed interest of approximately HK$40,416,000 for such year and HK$4,122,000 for the previous year because of the Existing Loan. In other words, the Group had saved interest expense of approximately HK$44,538,000 in total.

As at 31 May 2021, the Existing Loan constituted all borrowings of the Group denominated in RMB/borrowed in the PRC (which as set out above was amounted to RMB783,553,333.34 (equivalent to approximately HK$944,025,000) as at the Latest Practicable Date). While the Sale Shares are listed on the Shanghai Stock Exchange and the Disposal is conducted in the PRC with proceeds to be received in the PRC and denominated in RMB, it is reasonable to apply such proceeds to pay off liabilities incurred within the PRC due to foreign exchange restrictions. As at 31 May 2021, other than the Existing Loan, the Group had outstanding "bank and other borrowings" of only approximately HK$37,700,000, of which approximately HK$33,000,000 was denominated in HK$/borrowed in Hong Kong while approximately US$603,000 (equivalent to approximately HK$4,703,000) was borrowed in Bolivia for the Group's agricultural business. The HK$ denominated borrowing is repayable by the end of 2021, while the US$ denominated borrowing is mainly used to finance the daily operations of the agricultural business of the Group. The latter is a revolving loan repayable within five years.

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 (ii) the Company currently does not have any material capital expenditure and/or transaction that warrant application of the proceeds from the Disposal, it is 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 interests in Heilongjiang Interchina.

Based on the unaudited carrying amount of the Sale Shares as at the Latest Practicable Date of RMB534,184,375 (equivalent to approximately HK$643,585,000), and the Consideration of RMB534,184,375 (equivalent to approximately HK$643,585,000), it is estimated that, as a result of the Disposal, the Group will recognise neither profit nor loss (exclusive of transaction costs).

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 effects on the total assets and total liabilities of the Group. However, pursuant to the payment terms of the Disposal Agreements, the Consideration will be used to set-off against Mr. Jiang Loan, Mr. Jiang Lei Loan and part of the Shanghai Pengxin Loan on a dollar-for-dollar basis, both of the total assets and total liabilities of the Group would be decreased by approximately RMB534,184,375 (equivalent to approximately HK$643,585,000).

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 independent 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. Mr. Jiang Lei is the brother of Mr. Jiang. As at the Latest Practicable Date, Shanghai Pengxin was owned as to 99% by Mr. Jiang and as to 1% by Mr. Jiang Lei. 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) Mr. Jiang Lei and 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 the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

RE-ELECTION OF DIRECTOR

Mr. Ng Ge Bun ("**Mr. Ng**") was appointed as an independent non-executive Director with effect from 7 May 2021. Pursuant to code provision A.4.2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Therefore, Mr. Ng shall retire from his office at the GM and, being eligible, will offer himself for re-election at the GM. Biographical details of Mr. Ng is as follows:

Mr. Ng Ge Bun

Mr. Ng, aged 64, was appointed as an independent non-executive Director and a member of the audit committee of the Company with effect from 7 May 2021. Mr. Ng is a solicitor of the High Court of Hong Kong and currently serves as a consultant of Tang, Lai & Leung Solicitors. Mr. Ng holds a degree in bachelor of science and a degree in bachelor in laws. Mr. Ng also obtained a postgraduate certificate in laws from The University of Hong Kong. Mr. Ng is currently an independent non-executive director Kai Yuan Holdings Limited (stock code: 1215). He was an independent non-executive director of China E-information Technology Group Limited (formerly known as Prosticks International Holdings Limited) (stock code: 8055) from November 2001 to May 2006. The securities of these companies are listed on the Stock Exchange.

The Company did not enter into any service contract with Mr. Ng. He had no fixed term of service with the Company but will be subject to retirement by rotation and re-election requirements pursuant to the articles of association of the Company. The Director's fee of HK$240,000 per annum is payable to Mr. Ng which is determined by the Board under the authority granted by the Shareholders at the annual general meeting of the Company and with reference to his duties and responsibilities in the Company and the recommendation made by the remuneration committee of the Company.

Save as disclosed, as at the Latest Practicable Date, Mr. Ng did not (i) hold any directorship in other public companies the securities of which are listed on any securities in Hong Kong or overseas in the last three years; (ii) hold any other position in any members of the Group; (iii) have any relationship with any directors, senior management, substantial or controlling shareholders of the Company; and (iv) have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed, Mr. Ng is not aware of any other matters that need to be brought to the attention of the Shareholders in connection with his re-election as an independent non-executive Director and there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

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 Friday, 3 September 2021 is set out on pages 52 to 54 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 Level 54, Hopewell Centre, 183 Queen's Road East, 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.

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 20 to 21 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 22 to 41 of this circular in connection with the Disposal Agreements.

The Directors (including the Independent non-executive Directors whose view is expressed in the letter from the Independent Board Committee set out on pages 20 to 21 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.

In addition, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the GM to approve the re-election of Mr. Ng as an independent non-executive Director.

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

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)

26 July 2021

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 26 July 2021 (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 meanings 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 19 of the Circular and the letter from Lego Corporate Finance Limited as set out on pages 22 to 41 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

26 July 2021

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 26 July 2021 (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 27 May 2021 (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 51,060,000 Sale Shares at an aggregate consideration of RMB119,991,000 (equivalent to approximately HK$144,565,000); (ii) the Disposal Agreement 2 with Mr. Jiang Lei, pursuant to which Interchina Tianjin has conditionally agreed to sell and Mr. Jiang Lei has conditionally agreed to acquire 50,540,000 Sale Shares at an aggregate consideration of RMB118,769,000 (equivalent to approximately HK$143,093,000); and (iii) the Disposal Agreement 3 with Shanghai Pengxin, pursuant to which Interchina Tianjin has conditionally agreed to sell and Shanghai Pengxin has conditionally agreed to acquire 125,712,500 Sale Shares at an aggregate consideration of RMB295,424,375 (equivalent to approximately HK$355,927,000). Upon completion of the Disposal, the Group will cease to hold any interests in Heilongjiang Interchina.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 25% but all of the applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company, which is subject to the reporting, announcement, circular 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. Mr. Jiang Lei is the brother of Mr. Jiang. As at the Latest Practicable Date, Shanghai Pengxin was owned as to 99% by Mr. Jiang and as to 1% by Mr. Jiang Lei. 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, among others, the Disposal Agreements and the transactions contemplated thereunder. Given the Purchasers have material interests in the Disposal Agreements, the Purchasers and their respective associates shall abstain from voting on the relevant resolution(s) at the GM pursuant to Rule 14A.36 of the Listing Rules.

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, 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 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 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 the property investment operation, hotel operation, agricultural operation and securities investment and financing operation.

The following table is a summary of the audited financial information of the Group for the three years ended 31 March 2019, 2020 and 2021 as extracted from the annual report of the Company for the year ended 31 March 2020 (the "**2020 Annual Report**") and the annual results announcement of the Company dated 29 June 2021 (the "**2021 Annual Results**"), respectively.

	For the year ended 31 March		
	2019	**2020**	**2021**
	HK$' million *(audited)*	*HK$' million* *(audited)*	*HK$' million* *(audited)*
Revenue			
Property investment operation	53.2	47.8	31.9
Hotel operation	35.2	27.7	36.5
Agricultural operation	48.2	61.6	58.7
Securities investment and financing operation	(58.6)	—	—
Total	78.1	137.2	127.1
Loss for the year attributable to the Shareholders	(600.3)	(529.1)	(135.1)

	As at 31 March		
	2019	**2020**	**2021**
	HK$' million *(audited)*	*HK$' million* *(audited)*	*HK$' million* *(audited)*
Non-current assets	2,442.5	2,195.5	2,234.5
Current assets	1,246.5	801.2	901.2
Current liabilities	971.8	756.3	822.0
Net current assets	274.7	44.9	79.2
Non-current liabilities	132.6	250.9	299.2
Net assets	2,587.7	1,989.5	2,014.5

Note: The above figures are subject to rounding adjustments

For the year ended 31 March 2020

For the year ended 31 March 2020, total revenue of the Group was approximately HK$137.2 million, representing an increase of approximately 75.7% as compared to that of approximately HK$78.1 million for the year ended 31 March 2019. Based on the 2020 Annual Report, such increase in revenue was mainly due to the increase in revenue from agricultural operation resulting from (i) the completion of acquisition of agricultural farming business; and (ii) the absence of net loss from the sales of financial asset at fair value through profit or loss (which amounted to approximately HK$60.7 million for the year ended 31 March 2019) for the year ended 31 March 2020.

For the year ended 31 March 2020, the Group recognised loss for the year attributable to the Shareholders of approximately HK$529.1 million, representing a decrease of approximately 11.9% as compared to that of approximately HK$600.3 million for the year ended 31 March 2019. Such improvement was mainly due to the combined effects of (i) the increase in revenue; (ii) the narrowing of unrealised fair value loss on financial assets at fair value through profit and loss which amounted to approximately HK$282.9 million against that of HK$320.9 million for the previous year; (iii) the decrease in administrative cost; and (iv) the increase in loss arising on the change in fair value of investment properties as compared to the previous year. It is notable from the 2020 Annual Report that the losses arising on change in fair value of financial asset at fair value through profit or loss were relatively significant which accounted for around 53.0% and 53.5% of the loss of the Group for the years ended 31 March 2019 and 2020, respectively. Such losses were solely attributable to the change in the fair value of the Sale Shares during the respective years.

As at 31 March 2020, the Group recorded net current assets and net assets of approximately HK$44.9 million and approximately HK$1,989.5 million, respectively, which decreased as compared to that as at 31 March 2019, mainly as a result of the abovementioned decreases in fair value of financial assets and investment properties.

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 Results, 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.

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 13.74% of Heilongjiang Interchina's issued share capital (including shares that are (i) not subject to selling restrictions; and (ii) subject to selling restrictions). Mr. Jiang is also interested in 198,310,900 Heilongjiang Shares that are subject to selling restrictions, representing approximately 11.99% of Heilongjiang Interchina's issued share capital (including shares 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 2019 and 2020 and for the three months ended 31 March 2020 and 2021, 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 2020 and the first quarterly report of Heilongjiang Interchina for the three months ended 31 March 2021:

	For the year ended 31 December		**For the three months ended 31 March**	
	2019	**2020**	**2020**	**2021**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	537.8	379.1	63.3	93.8
Profit/(loss) for the year/ period	22.4	27.3	15.7	(12.4)
Profit/(loss) for the year/ period attributable to the shareholders of Heilongjiang Interchina	19.7	30.5	16.8	(10.8)

	As at 31 December 2019 *RMB' million* *(audited)*	As at 31 December 2020 *RMB' million* *(audited)*	As at 31 March 2021 *RMB' million* *(unaudited)*
Non-current assets	2,201.0	2,285.9	2,287.2
Current assets	2,582.9	2,411.2	2,390.7
Current liabilities	1,038.8	964.3	914.3
Net current assets	1,544.1	1,446.9	1,476.4
Non-current liabilities	293.0	287.1	329.8
Net assets	3,452.1	3,445.7	3,433.7

Note: The above figures are subject to rounding adjustments

For the year ended 31 December 2020

For the year ended 31 December 2020, total revenue of Heilongjiang Interchina Group was approximately RMB379.1 million, representing a decrease of approximately 29.5% as compared to that of approximately RMB537.8 million for the year ended 31 December 2019. Based on the annual report of Heilongjiang Interchina for the year ended 31 December 2020, it is noted that such decrease in revenue was mainly due to the decrease in revenue from (i) the sewage treatment and water supply operations as a result of the disposal of certain operating subsidiaries during the year; and (ii) the provision of environmental technology services owing to disruption to the construction project brought by COVID-19.

For the year ended 31 December 2020, Heilongjiang Interchina Group recognised profit for the year of approximately RMB27.3 million, representing an increase of approximately 21.9% as compared to that of approximately RMB22.4 million for the year ended 31 December 2019. With reference to the annual report of Heilongjiang Interchina for the year ended 31 December 2020, it is noted that such increase in profit was mainly attributable to a substantial drop in non-operating expenses for the year ended 31 December 2020 due to the absence of loss arising from the termination of concession right of a subsidiary primarily engaged in the operation of sewage treatment plant as required by the relevant authority in 2019. The profit attributable to shareholders of Heilongjiang Interchina for the year ended 31 December 2020 amounted to approximately RMB30.5 million, representing an increase of approximately 54.8% from the profit attributable to shareholders of Heilongjiang Interchina of approximately RMB19.7 million for the previous year.

As at 31 December 2020, Heilongjiang Interchina Group recorded net current assets and net assets of approximately RMB1,446.9 million and approximately RMB3,445.7 million, respectively.

For the three months ended 31 March 2021

For the three months ended 31 March 2021, total revenue of Heilongjiang Interchina Group was approximately RMB93.8 million, representing an increase of approximately 48.2% as compared to that of approximately RMB63.3 million for the three months ended 31 March 2020. With reference to the first quarterly report of Heilongjiang Interchina for the three months ended 31 March 2021, the increase in revenue was mainly attributable to the resumption of various business operation in particular the construction of environmental projects with the stabilisation of the pandemic situation in the PRC in the first quarter of 2021 as compared to the first quarter of 2020 when the outbreak of the pandemic first started, as well as the increase in income from provision of water supply and heating.

For the three months ended 31 March 2021, Heilongjiang Interchina Group recognised loss for the period of approximately RMB12.4 million against the profit for the period of approximately RMB15.7 million for the three months ended 31 March 2020. According to the first quarterly report of Heilongjiang Interchina for the three months ended 31 March 2021, such loss-making performance was mainly attributable to the decrease in investment income. The loss attributable to shareholders of Heilongjiang Interchina for the three months ended 31 March 2021 amounted to approximately RMB10.8 million as opposed to the profit attributable to shareholders of Heilongjiang Interchina of approximately RMB16.8 million for the previous corresponding period.

As at 31 March 2021, the Heilongjiang Interchina Group recorded net current assets and net assets of approximately RMB1,476.4 million and approximately RMB3,433.7 million, respectively.

3. Reasons for and benefits of entering into the Disposal Agreements

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

The Group is principally engaged in the property investment operation, hotel operation, agricultural operation and securities investment and financing operation. We noted that during the past two years, the Group did not make any new securities investment. As at 31 March 2021, total securities investment amounted to approximately HK$720.3 million, being the market value of the Sale Shares. 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 businesses 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. As disclosed in the 2020 Annual Report, the Group adopts a prudent investment strategy for securities investment operation and will closely monitor the market changes and realise its investment to enhance the Group's 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.

With reference to the Letter from the Board, the Sale Shares were acquired in January 2009 with an average investment cost of approximately RMB1.09 per Heilongjiang Share. The Group recognised its investment in the Sale Shares as financial assets at fair value through profit or loss 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 (equivalent to approximately HK$13.48) on 4 June 2015, based on our research conducted from the public domain, the trading price per Heilongjiang Share has been on a general downtrend during the past five 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. As a result of the overall continual drop in trading price since 2016, the Group has been recognising substantial amount of unrealised loss for its investment in the Heilongjiang Shares. As stated in the Letter from the Board, the Group has recognised aggregate unrealised loss for the investment in the Heilongjiang Shares of approximately HK$1,610.3 million or approximately 64% of the aggregate losses for the past five years since 2016. It is also noted that the corresponding unrealised losses arising from the Heilongjiang Shares contributed as to 53.5%, 53.0% and 42.3% among the loss of the Group for the three years ended 31 March 2018, 2019 and 2020, respectively. No dividend income has been received from the investment in the Sale Shares. Pursuant to the Disposal Agreements, the Consideration shall be settled by way of partial set-off of the Existing Loan owing from Interchina Tianjin to Shanghai Pengxin. After Completion, the Group shall continue to owe Shanghai Pengxin an amount of RMB249,368,958.34. Given a majority portion of the Existing Loan would be settled by the Consideration, the liabilities level of the Group is expected to reduce and accordingly the gearing ratio is expected to improve. It is expected that by realising its investment in the Sale Shares through the Disposal, the financial flexibility of the Group could be enhanced and more resources can be reallocated to other business segments, which is in line with the business strategy of the Group.

3.2 Development of Heilongjiang Interchina's business

As noted from the annual report of Heilongjiang Interchina for the year ended 31 December 2020, the sewage water treatment and water supply segments in aggregate accounted for approximately 67.6% of the total revenue of Heilongjiang Interchina for the year ended 31 December 2020. Eight project companies that were engaged in sewage treatment and water supply operations had been disposed of by Heilongjiang Interchina from 2018 to 2020 and the concession right of two project companies had been terminated in 2019 and 2020, respectively. 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 513,400 tonnes on 31 December 2020, by approximately 536,600 tonnes or 51.1% over the years. As detailed in the above section headed "2. Background and financial information on Heilongjiang Interchina", the decline in revenue of Heilongjiang Interchina for the year ended 31 December 2020 was principally attributed to the disposal of the sewage treatment and water supply project companies during the year.

While it is noted that Heilongjiang Interchina intended to undergo some strategic developments to diversify its business and has proposed a material acquisition of a company principally engaged in solid waste management in February 2019, such proposed acquisition was eventually terminated in July 2020. 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. Save for the above, we are not aware of any material business development of Heilongjiang Interchina.

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, despite the growth potential of the water utilities industry is expected to remain at a stable level, it is noted that the market is becoming more centralised. The level of water supply, especially in the urban area has been stable with saturated facilities and infrastructures. According to "Water Utilities Industry Prospect Report (Industry Analysis)*" (《水務行業展望報告(行業分析)》) *(http://www.lianheratings.com.cn/)* published by China Lianhe Credit Rating Co., Ltd., a professional and scalable credit rating agency in the PRC, the water utilities industry is experiencing a regional dominance and centralised with fewer market participants. Currently, the market participants of the water utilities industry consist of state-owned enterprises, foreign investment enterprises and private enterprises. The state-owned enterprises have the highest market shares in the PRC and have been continuously expanding through merger and acquisition and obtaining of concession right through their advantages of capital sufficiency and better technology. In contrast, the private enterprises, such as Heilongjiang Interchina, are expected to face keen competitions with higher investment and liquidity burdens.

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 substantial 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 in which Heilongjiang Interchina has been operating in, 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 partially set off against 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 and the Consideration

Pursuant to the Disposal Agreements, (i) Interchina Tianjin has conditionally agreed to sell and Mr. Jiang has conditionally agreed to acquire 51,060,000 Sale Shares at an aggregate consideration of RMB119,991,000 (equivalent to approximately HK$144,565,000); (ii) Interchina Tianjin has conditionally agreed to sell and Mr. Jiang Lei has conditionally agreed to acquire 50,540,000 Sale Shares at an aggregate consideration of RMB118,769,000 (equivalent to approximately HK$143,093,000); and (iii) Interchina Tianjin has conditionally agreed to sell and Shanghai Pengxin has conditionally agreed to acquire 125,712,500 Sale Shares at an aggregate consideration of RMB295,424,375 (equivalent to approximately HK$355,927,000). The aggregate Consideration for the Sale Shares amounted to RMB534,184,375 (equivalent to approximately HK$643,585,000), representing RMB2.35 (equivalent to approximately HK$2.83) per Sale Share. The Sale Shares represent approximately 13.74% of Heilongjiang Interchina's issued share capital (including those that are (i) not subject to selling restrictions; and (ii) subject to selling restrictions).

As disclosed in the Letter from the Board, as at the Latest Practicable Date, Interchina Tianjin is indebted to Shanghai Pengxin in the aggregate amount of RMB783,553,333.34 (equivalent to approximately HK$944,025,000) which was non-interest bearing, unsecured and repayable on demand (being the Existing Loan). Immediately before Completion, Shanghai Pengxin shall assign to (i) Mr. Jiang part of the Existing Loan in the amount of RMB119,991,000 (equivalent to approximately HK$144,565,000) at its face value ("**Mr. Jiang Loan**"); and (ii) Mr. Jiang Lei part of the Existing Loan in the amount of RMB118,769,000 (equivalent to approximately HK$143,093,000) at its face value ("**Mr. Jiang Lei Loan**"). Immediately after the assignment of the Mr. Jiang Loan and Mr. Jiang Lei Loan, Interchina Tianjin shall then owe Shanghai Pengxin a total of RMB544,793,333.34 (equivalent to approximately HK$656,367,000) ("**Shanghai Pengxin Loan**"). Upon Completion, the consideration of (i) RMB119,991,000 (equivalent to approximately HK$144,565,000) shall be set-off against Mr. Jiang Loan; (ii) RMB118,769,000 (equivalent to approximately HK$143,093,000) shall be set-off against Mr. Jiang Lei Loan; and (iii) RMB295,424,375 (equivalent to approximately HK$355,927,000) shall be set-off against the equivalent portion of the Shanghai Pengxin Loan, on a dollar-for-dollar basis. After Completion, Interchina Tianjin shall continue to owe Shanghai Pengxin an amount of RMB249,368,958.34 (equivalent to approximately HK$300,440,000), which shall continue to be non-interest bearing, unsecured and repayable on demand.

The Consideration of RMB2.35 (equivalent to approximately HK$2.83) per Sale Share represents:

(i) a discount of approximately 2.89% to the closing price of RMB2.42 (equivalent to approximately HK$2.92) per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange on 27 May 2021, being the date of the Disposal Agreements;

(ii) a premium of approximately 1.03% over the average closing price of RMB2.326 (equivalent to approximately HK$2.80) 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 premium of approximately 0.77% over the average closing price of RMB2.332 (equivalent to approximately HK$2.81) 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 premium of approximately 0.97% over the average closing price of RMB2.328 (equivalent to approximately HK$2.80) 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) the closing price of RMB2.35 (equivalent to approximately HK$2.83) per Heilongjiang Share that are not subject to selling restrictions as quoted on the Shanghai Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 14.08% over the unaudited consolidated net asset value per Heilongjiang Share attributable to the shareholders as at 31 March 2021 of RMB2.06 per Heilongjiang Share.

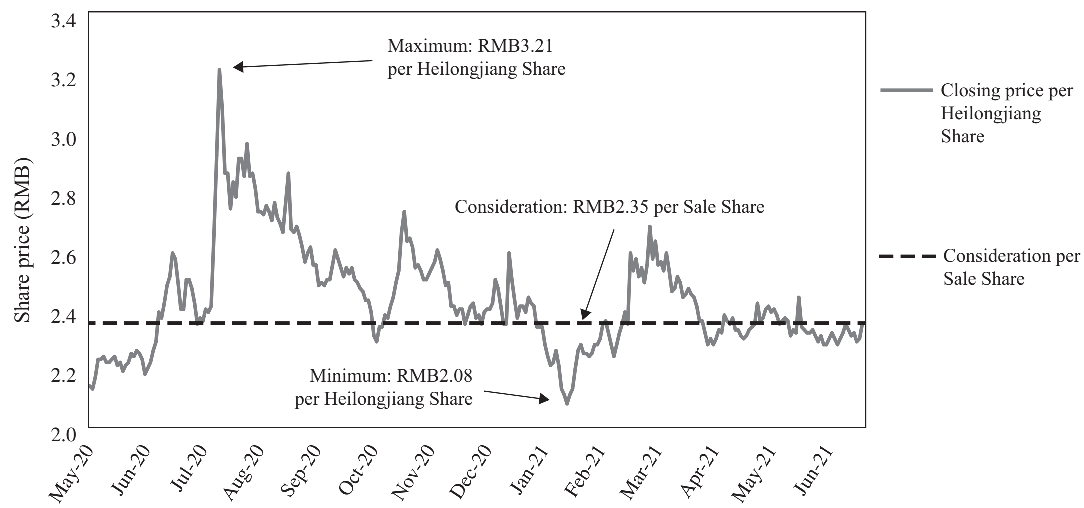
Evaluation of the Consideration

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

Set out below are the historical movements of daily closing prices of the Heilongjiang Shares during the Review Period:

Chart 1: Historical price performance of Heilongjiang Shares



Source: Thomson Reuters

As illustrated in Chart 1 above, the trading price of Heilongjiang Shares was largely fluctuating during the Review Period, where the share price had been surging from around RMB2.14 per share at the beginning of the Review Period and peaked at RMB3.21 per share on 5 August 2020, and then gradually declining and bottomed at RMB2.29 per share before rebounding in around November 2020. The large trading price fluctuation of Heilongjiang Interchina during July and August 2020 may be due to the speculation on the rumours of a potential initial public offering application of a private technology company in the PRC which Heilongjiang Interchina invested in, which has been clarified in the announcement published by Heilongjiang Interchina on 6 August 2020. The Heilongjiang Shares then continued to fluctuate within the range of RMB2.08 per share and RMB2.73 per share, before retreating to RMB2.42 per share as at the date of the Disposal Agreements. During the Review Period, the lowest price of RMB2.08 per share on 8 February 2021 represents a difference of more than 35% as compared to the highest price of RMB3.21 per share on 5 August 2020. The Heilongjiang Shares closed at RMB2.35 per share on the Latest Practicable Date. It is noted that the Consideration of RMB2.35 per Sale Share is within the range of the maximum and minimum closing prices of the Heilongjiang Shares during the Review Period and represents a discount of approximately 3.29% to the average closing price of RMB2.43 per Heilongjiang Share during the Review Period.

4.2 Trading liquidity of the Heilongjiang Shares

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

Table 1: Average daily trading volume of Heilongjiang Shares

	Number of trading days	**Average daily trading volumes** *(Note 1)* *(thousands)* *(approximate)*	**Average daily trading volumes over the issued share capital of Heilongjiang Interchina** *(Note 2)* *(%)* *(approximate)*
2020			
May (from 28 May 2020)	2	6,324	0.38
June	20	9,656	0.58
July	23	23,281	1.41
August	21	68,681	4.15
September	22	17,879	1.08
October	16	7,644	0.46
November	21	17,782	1.08
December	23	10,014	0.61
2021			
January	20	20,483	1.24
February	15	9,995	0.60
March	23	39,111	2.36
April	21	21,639	1.31
May	18	11,539	0.70
June	21	16,347	0.99
July (up to and including the Latest Practicable Date)	15	8,886	0.54

Source: Thomson Reuters

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 1,653,935,100 Heilongjiang Shares as at the Latest Practicable Date.

As shown in Table 1 above, the average daily trading volumes of the Heilongjiang Shares represented approximately 0.38% to 4.15% of Heilongjiang Interchina's issued share capital during the Review Period. Considering the relatively 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 represents an opportunity for the Company to dispose of the Sale Shares in one lot at a fixed price.

Notwithstanding that the Consideration of RMB2.35 per Sale Share represents discounts of (i) approximately 2.89% to the closing price of RMB2.42 per Heilongjiang Share on the date of the Disposal Agreements; and (ii) approximately 3.29% to the average closing price of RMB2.43 per Heilongjiang Share during the Review Period, in light of (i) the fact that the Consideration per Sale Share represents various premiums over (a) the respective average closing prices per Heilongjiang Share for the last five, ten and twenty consecutive trading days immediately prior to the date of the Disposal Agreements; and (b) the unaudited consolidated net asset value per Heilongjiang Share attributable to the shareholders as at 31 March 2021; (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; and (iii) 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 in the aggregate amount of approximately HK$1,610,273,000 which attributed to a majority of the aggregate losses of the Group for the past five years since 2016, 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.

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 RMB3.9 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, 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 nine 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 and derived majority of their respective revenues from this business.

As Heilongjiang Interchina is profit-making and 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 (i) the price-to-earnings ("**P/E**") multiple which measures the recent actual earnings capability; and (ii) the price-to-book ("**P/B**") multiple which measures the book value of common owner equity, being an important indicator of shareholders' value, both of which are commonly used benchmarks in assessing the valuation of profit-making and capital intensive companies and therefore are considered appropriate for our analysis purpose. As such, we have computed and compared the P/E and P/B ratios of Heilongjiang Interchina represented by the Consideration against the P/E and P/B ratios of the Comparable Companies which are also profit-making and 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** *(Note 1)* *(RMB' million)* *(approximate)*	**P/E** *(Note 2)* *(times)* *(approximate)*	**P/B** *(Note 3)* *(times)* *(approximate)*
Bohai Water Industry Co Ltd	000605	1,946.7	96.4	1.0
Wuhan Sanzhen Industry Holding Co., Ltd	600168	4,917.3	19.3	0.9
Qianjiang Water Resources Development Co Ltd	600283	4,006.5	28.9	2.0
Jiangsu Jiangnan Water Co Ltd	601199	3,619.3	14.8	1.2
Guangxi Nanning Waterworks Co Ltd	601368	4,653.3	18.8	1.1
Guangdong Liantai Environmental Protection Co Ltd	603797	3,450.0	14.5	2.0
Fujian Haixia Environmental Protection Group Co Ltd	603817	2,704.5	20.8	1.5
CSD Water Service Co Ltd	603903	2,120.1	15.4	2.0
Greentech Environmental Co Ltd	688466	2,198.0	30.7	2.3
		Minimum	**14.5**	**0.9**
		Maximum	**96.4**	**2.3**
		Average	**28.8**	**1.5**
Heilongjiang Interchina	**600187**	**3,887.8** *(Note 4)*	**127.3** *(Note 5)*	**1.1** *(Note 6)*

Source: 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.

2. Computed by dividing the respective market capitalisations of the Comparable Companies as at the date of the Disposal Agreements by the respective net profits attributable to shareholders as at the then respective latest financial year ended of the Comparable Companies as extracted from the then latest published annual reports of the Comparable Companies.

3. 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 then respective latest financial period end of the Comparable Companies as extracted from the then latest published financial reports of the Comparable Companies.

4. This represents the implied value of the Consideration with respect to 100% equity interest in Heilongjiang Interchina which is computed by dividing the Consideration of approximately RMB534.2 million by the proportion of equity interest in Heilongjiang Interchina to be disposed of under the Disposal of 13.74%.

5. This represents the implied P/E ratio of Heilongjiang Interchina, which is computed by dividing the implied value of the Consideration with respect to 100% equity interest in Heilongjiang Interchina by the reported net profit attributable to shareholders for the year ended 31 December 2020.

6. This represents the implied P/B ratio of Heilongjiang Interchina, which is computed by dividing the implied value of the Consideration with respect to 100% equity interest in Heilongjiang Interchina by the reported net asset value attributable to shareholders as at 31 March 2021.

As illustrated in Table 2 above, the implied P/E ratio of Heilongjiang Interchina of approximately 127.3 times was above the P/E ratios of all of the Comparable Companies while the P/B ratios of the Comparable Companies ranged from approximately 0.9 times to approximately 2.3 times, with an average P/B ratio of approximately 1.5 times. Notwithstanding the implied P/B ratio of Heilongjiang Interchina of approximately 1.1 times is below the average P/B ratio of the Comparable Companies, having considered that (i) the implied P/B ratio of Heilongjiang Interchina falls within the range of the P/B ratios of the Comparable Companies; and (ii) the implied P/E ratio of Heilongjiang Interchina is above the P/E ratios of all of the Comparable Companies, reflecting that the Sale Shares are being disposed of at a price which is in line with or higher than its peers, we are of the view that the Consideration 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) Gearing

According to the 2021 Annual Results, the gearing ratio of the Group amounted to 30.1%, which was calculated as total outstanding borrowings divided by the total assets as at 31 March 2021. Since the Consideration will be used to set off against the Mr. Jiang Loan, Mr. Jiang Lei Loan and part of the Shanghai Pengxin Loan on a dollar-for-dollar basis, the Disposal will reduce the outstanding borrowings of the Group and it is expected that the Group's gearing ratio will decrease to 12.5% as a result of the Disposal.

(b) Net assets

As the investment in the Sale Shares is regarded as current assets of the Group, immediately upon Completion, subject to review by the auditor and before considering income tax, it is expected that 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. As the Consideration will be used to set off against the Mr. Jiang Loan, Mr. Jiang Lei Loan and part of the Shanghai Pengxin Loan on a dollar-for-dollar basis, both the total assets and total liabilities of the Group would be decreased by the Consideration of approximately RMB534,184,375 (equivalent to approximately HK$643,585,000). Accordingly, it is expected that before considering the potential income tax to be incurred, there would not be any material adverse effects to the net assets of the Group upon Completion.

(c) Earnings

Based on the 2021 Annual Results, the carrying amount of the Sale Shares was approximately HK$720,279,000 as at 31 March 2021. Given the Consideration of RMB534,184,375 (equivalent to approximately HK$643,585,000), it is expected that the Group will recognise an estimated loss (excluding transaction costs) of approximately HK$76,694,000 as a result of the Disposal, subject to any income tax in accordance with the PRC taxation regulations.

Notwithstanding that the Group is expected to recognise a one-off expected loss as a result of the Disposal, considering (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; and (ii) the expected improvement of gearing ratio of the Group as a result of 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 corporate finance advisory profession.

* *for identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for (i) the year ended 31 March 2021, (ii) the three years ended 31 March 2020 and (iii) the six months ended 30 September 2020 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 at www.everchina202.com.hk:

(a) the results announcement of the Company for the year ended 31 March 2021 published on 29 June 2021;

(b) the annual report of the Company for the year ended 31 March 2018 published on 23 July 2018 (pages 46–126);

(c) the annual report of the Company for the year ended 31 March 2019 published on 25 July 2019 (pages 54–148);

(d) the annual report of the Company for the year ended 31 March 2020 published on 27 July 2020 (pages 62–156); and

(e) the interim report of the Company for the six months ended 30 September 2020 published on 17 December 2020 (pages 4–35).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 May 2021 (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 2021, being the date to which the latest audited consolidated accounts of the Company have been made up) had outstanding indebtedness of approximately HK$$981,728,000. The indebtedness was comprised of (i) secured and unguaranteed bank loan of approximately HK$4,703,000, (ii) secured and unguaranteed other borrowings of approximately HK$17,000,000, (iii) unsecured and unguaranteed other borrowings of approximately HK$16,000,000 and (iv) unsecured and unguaranteed amount due to Shanghai Pengxin of approximately HK$944,025,000.

As at 31 May 2021, the secured and unguaranteed bank loan was secured by the freehold land owned by the Group and the secured and unguaranteed other borrowings was secured by the investment property of the Group.

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 2021, 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 May 2021.

The Directors have confirmed that, save as disclosed above, there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 May 2021.

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 2021, the Group recorded a total revenue of approximately HK$127,093,000, whilst the total revenue for the year ended 31 March 2020 was approximately HK$137,199,000. Loss attributable to owners of the Company for the year ended 31 March 2021 amounted to approximately HK$135,055,000 as compared to the loss attributable to owners of the Company of HK$529,111,000 for the year ended 31 March 2020. Securities investment operation was a non-core business of the Group. No revenue was recorded for the year ended 31 March 2021 and 2020 but gain of approximately HK$93,116,000 arising on change in fair value of securities investment was recognised for the year ended 31 March 2021 as compared to the loss of HK$282,878,000 for the year ended 31 March 2020.

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 42% as at 31 March 2021. 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 two 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 is operated by the InterContinental Hotels Group. This segment provides steady income and cashflow to the Group. The performance of the Hotel has been impacted by COVID-19 in early 2020. It led to the prominent decline in occupancy rate, average daily rate and revenue per available room for the year ended 31 March 2020, as compared to the same period in 2019. In response to the pandemic, 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 by the end of March 2021. 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 Group is prudently optimistic of the prospects regarding the Hotel, as tourism sentiment is anticipated to recover soon.

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 (i) the proceeds from the Disposal; (ii) the financial resources available to the Group, including cash and cash equivalents on hand, cash flows from operating activities; (iii) a written confirmation from Shanghai Pengxin stating RMB200,000,000 (equivalent to approximately HK$240,960,000) will become payable only after 18 months from the date of such confirmation (being 4 June 2021) (representing the carrying amount of approximately HK$202,075,000 due to a related company under non-current liabilities as at 31 March 2021 disclosed in the Company's results announcement for the year ended 31 March 2021); and (iv) a written term sheet of a proposed loan facility in amount of US$20,000,000 (equivalent to approximately HK$156,000,000) issued by a bank/financial institution that the Group will continue to negotiate the terms of the loan facility, 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 2021, 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.

In the event that the resolutions approving the Disposal are not approved by the Independent Shareholders at the GM, the Company will (i) re-negotiate with Shanghai Pengxin regarding repayment terms of the Existing Loan including but not limited to repayment day extension; (ii) seek new source of financing including but not limited to new borrowings from banks and financial institutions, and/or equity fund raising; and (iii) continue to look for alternative method to dispose of the Sale Shares, or seek further opportunities to dispose of the Group's other assets in order to ensure that the Group 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 2021, 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 Issuers 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 Issuers 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 2021, 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 capitals of Rich Monitor Limited and Pengxin Holdings Company Limited are 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 2021, 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, none of the Directors had any direct or indirect interest in the assets which had been, since 31 March 2021, 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 2021, 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 2021, being the date to which the latest audited consolidated accounts of the Company have been made up).

As at the Latest Practicable Date, 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 2021, 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 2021, 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 2021, 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); and

(c) 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 2021, 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 2021, 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 2021, 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 2021, 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 2021, 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 Suites 601–603, 6th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, 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 AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during 9:00 a.m. to 6:00 p.m. on any Business Day, at Suites 601–603, 6th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to 6 August 2021 and at Unit 1506, 15/F., Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong from 7 August 2021 up to and including the date of the GM:

(a) the articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 5 to 19 of this circular;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 41 of this circular;

(e) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(f) the annual results announcement of the Company for the year ended 31 March 2021;

(g) the annual reports of the Company for the two years ended 31 March 2020;

(h) the interim report of the Company for the six months ended 30 September 2020;

(i) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix; and

(j) 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 Friday, 3 September 2021 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 27 May 2021 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 51,060,000 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 RMB119,991,000 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 27 May 2021 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 Lei as purchaser in relation to the disposal of 50,540,000 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 RMB118,769,000 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 2 and the transactions contemplated thereunder."

3. "**THAT**:

(i) the disposal agreement (the "**Disposal Agreement 3**", a copy of which has been produced to the meeting marked "C" and signed by the chairman of the Meeting for the purpose of identification) dated 27 May 2021 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 125,712,500 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 RMB295,424,375 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 3 and the transactions contemplated thereunder."

4. "**THAT** Mr. Ng Ge Bun be and is hereby re-elected as an independent non-executive director of the Company."

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

Hong Kong, 26 July 2021

Registered office:
Suites 601–603, 6th Floor
Everbright Centre
108 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. Where there are joint registered holders of any share of the Company (the "**Share**"), any one of 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.

3. 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. 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.