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MUDAJAYA GROUP BERHAD

Registration No. 200301003119 (605539-H)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED ACQUISITION BY XELMONT LIMITED, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF MUDAJAYA GROUP BERHAD ("MUDAJAYA"), OF THE ENTIRE EQUITY INTEREST IN REAL JADE LIMITED FOR AN INDICATIVE PURCHASE CONSIDERATION OF HKD400,000,000 (EQUIVALENT TO RM224,320,000) TO BE SATISFIED ENTIRELY VIA CASH

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

(Registration No. 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") together with the Proxy Form are enclosed in this Circular. The EGM of Mudajaya will be conducted as a virtual meeting through live streaming via remote participation and online voting facilities via Lumi AGM at <https://meeting.boardroomlimited.my> provided by Boardroom Share Registrars Sdn Bhd in Malaysia on Thursday, 20 October 2022 at 2.30 p.m., or any adjournment thereof. Shareholders are advised to refer to the Notice of EGM together with the Proxy Form and Administrative Guide for the EGM, which can be downloaded from Mudajaya's website at www.mudajaya.com under the "*Investor Relations*" section and Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com under "*Company Announcements*".

A member of Mudajaya who is entitled to participate and vote at the EGM, is entitled to appoint a proxy or proxies to participate and vote on his/ her behalf. In such event, the instrument appointing a proxy must be deposited not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof, at the office of Mudajaya's Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia either personally, by fax at (603) 7890 4670, by electronic mail to BSR.Helpdesk@boardroomlimited.com, or by sending it through the post, or submitted electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>. The lodging of the Proxy Form shall not preclude you from participating and voting at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Tuesday, 18 October 2022 at 2.30 p.m.
Date and time of the EGM : Thursday, 20 October 2022 at 2.30 p.m.

This Circular is dated 3 October 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	: Companies Act 2016
"AER"	: Asia Equity Research Sdn Bhd
"BNM"	: Bank Negara Malaysia
"Board"	: The Board of Directors of Mudajaya
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"BVI"	: British Virgin Island
"Director(s)"	: The director(s) of Mudajaya and shall have the meaning given in Section 2(1) of the Capital Markets And Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisition were agreed upon:- (i) a director of Mudajaya, its subsidiaries or holding company; and (ii) a chief executive of Mudajaya, its subsidiaries or holding company
"EGM"	: Extraordinary General Meeting
"EPS"/ "(LPS)"	: Earnings/ (loss) per share
"EV/EBITDA"	: Enterprise value to earnings before interest, tax, depreciation and amortisation multiple
"FPE"	: Financial period ended
"FYE"	: Financial year ended/ ending
"HKD"	: Hong Kong Dollar
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities
"LPD"	: 5 September 2022, being the latest practicable date prior to the printing and despatch of this Circular
"MHL" or the "Vendor"	: Minyi Holdings Limited
"Mudajaya" or the "Company"	: Mudajaya Group Berhad
"Mudajaya Group" or the "Group"	: Mudajaya and its subsidiaries, collectively
"NA"	: Net assets attributable to the owners of the company
"P/E"	: Price-to-earnings multiple
"PAT"/ "(LAT)"	: Profit/ (loss) after taxation
"PBT"/ "(LBT)"	: Profit/ (loss) before taxation
"PRC"	: People's Republic of China
"Proposed Acquisition"	: The proposed acquisition by the Purchaser of the entire equity interest in Real Jade for the Purchase Consideration

DEFINITIONS

"Purchase Consideration"	: The total purchase consideration of approximately HKD400,000,000 (equivalent to RM224,320,000) for the Proposed Acquisition to be satisfied via cash
"Real Jade"	: Real Jade Limited
"Real Jade Group"	: Real Jade and its subsidiaries, collectively
"Real Jade Share"	: Ordinary shares in Real Jade
"RM" and "sen"	: Ringgit Malaysia and sen, respectively
"RMB"	: Renminbi
"SPAC"	: A special purpose acquisition company which has no operations or income generating business at the point of initial public offering and has yet to complete a qualifying acquisition with the proceeds of such offering
"SSPA"	: The conditional share sale purchase agreement dated 30 June 2022 entered into between the Purchaser and Vendor in respect of the Proposed Acquisition
"UOBKH" or the "Adviser"	: UOB Kay Hian Securities (M) Sdn Bhd
"USD"	: United State Dollar
"Xelmont" or the "Purchaser"	: Xelmont Limited, an indirect wholly-owned subsidiary of Mudajaya

References to "we", "us", "our" and "ourselves" are to Mudajaya, and where the context otherwise requires, the subsidiaries of the Company. All references to "you" or "your(s)" in this Circular are made to shareholders who are entitled to participate and vote at the EGM.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified. Any discrepancies between the amount listed, actual figures and the totals thereof as set out in this Circular are due to rounding.

Unless otherwise stated, the exchange rate of HKD1.00 : RM0.5608 being the middle rate quoted by BNM as at 5.00 p.m. on 29 June 2022 (announcement LPD) is applied throughout this Circular.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that Mudajaya Group's plans and objectives will be achieved. Shareholders should not place undue reliance on such forward-looking statement, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Acquisition. You are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Acquisition before voting at the EGM of the Company.

Key information	Description	Reference																				
Summary	<p>Proposed acquisition by Xelmont (an indirect wholly-owned subsidiary of Mudajaya), of the entire equity interest in Real Jade for an indicative purchase consideration of HKD400,000,000 (equivalent to RM224,320,000) to be satisfied entirely via cash</p> <p>The Proposed Acquisition WILL NOT RESULT IN A SIGNIFICANT CHANGE IN THE BUSINESS DIRECTION OR POLICY OF MUDAJAYA GROUP premised on the following:-</p> <p>(a) Real Jade Group is in a business similar to the core business of Mudajaya Group as both are involved in the trading & manufacturing of construction materials and closely related raw materials (i.e. cements and concretes);</p> <p>(b) the Proposed Acquisition will not result in a change in the controlling shareholder of Mudajaya;</p> <p>(c) the Proposed Acquisition will not result in a change in the Board of Mudajaya;</p> <p>(d) Proposed Acquisition is not an acquisition of assets by a corporation classified as a cash company by Bursa Securities under Chapter 8 of the Listing Requirements to regularise its condition;</p> <p>(e) the Proposed Acquisition does not involve the transfer of Mudajaya's listing status and introduction of new assets to the other corporation; or</p> <p>(f) the Proposed Acquisition is not a qualifying acquisition by a special purpose acquisition company (SPAC).</p>	Section 2																				
Mode of settlement	<p>The Purchase Consideration shall be satisfied entirely in cash in the following manner:-</p> <table><tr><th>Payment terms</th><th>Timing</th><th>HKD'000</th><th>RM'000</th><th>%</th></tr><tr><td>Initial sum</td><td>By the completion of the Proposed Acquisition</td><td>201,000</td><td>112,721</td><td>50.3</td></tr><tr><td>Balance consideration</td><td>One lump sum payment together with any unpaid accrued interest on or before the expiration of two years after the completion of the Proposed Acquisition</td><td>199,000*</td><td>111,599*</td><td>49.7</td></tr><tr><td colspan="2">Total</td><td>400,000</td><td>224,320</td><td>100.0</td></tr></table> <p>* Potential finance cost of HKD9.95 million (RM5.58 million) per annum is expected to arise from the vendor financing</p>	Payment terms	Timing	HKD'000	RM'000	%	Initial sum	By the completion of the Proposed Acquisition	201,000	112,721	50.3	Balance consideration	One lump sum payment together with any unpaid accrued interest on or before the expiration of two years after the completion of the Proposed Acquisition	199,000*	111,599*	49.7	Total		400,000	224,320	100.0	Section 2.4
Payment terms	Timing	HKD'000	RM'000	%																		
Initial sum	By the completion of the Proposed Acquisition	201,000	112,721	50.3																		
Balance consideration	One lump sum payment together with any unpaid accrued interest on or before the expiration of two years after the completion of the Proposed Acquisition	199,000*	111,599*	49.7																		
Total		400,000	224,320	100.0																		

EXECUTIVE SUMMARY

Key information	Description	Reference
Rationale and justifications	<ul style="list-style-type: none"> • Mudajaya Group may expand its trading & manufacturing segment to include the manufacturing, sales and trading of cements • Real Jade Group has a production capacity of 1,000,000 tonnes per annum and owns a manufacturing license with an expiry date on 30 December 2025 • Mudajaya Group may expand its geographical reach outside of Malaysia and inroads into the PRC market • Mudajaya Group may leverage on Real Jade's energy-efficient heating, ventilation and air-conditioning systems to enhance its environmental, social and governance practices • The Proposed Acquisition represents an expansion into areas of which the management team has experience and expertise in 	Section 4
Risk factors	<p>The Proposed Acquisition is subject to, amongst others, changes in the political, economic and regulatory conditions of BVI, Hong Kong and PRC where Real Jade Group operates in, dependency on key personnel, cash flow and financing risk, environmental risk and foreign currency risk</p> <p>There is no assurance that the anticipated benefits from the Proposed Acquisition will be realised, and the conditions precedent in the SSPA will be fulfilled within the stipulated timeframe</p>	Section 6
Interested parties	None of the Directors, major shareholders, chief executives of Mudajaya and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition	Section 10
Approvals required	<p>The Proposed Acquisition is subject to the following approvals being obtained:-</p> <p>(i) Shareholders of Mudajaya, at the EGM; and</p> <p>(ii) Any other relevant authority or party, if required.</p> <p>The Proposed Acquisition is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company</p>	Section 9
Board's recommendation	The Board recommend you to vote IN FAVOUR of the resolution in respect of the Proposed Acquisition to be tabled at the EGM	Section 11



MUDAJAYA GROUP BERHAD
Registration No. 200301003119 (605539-H)
(Incorporated in Malaysia)

Registered Office

PH1, Menara Mudajaya
No. 12A, Jalan PJU 7/3
Mutiarra Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

3 October 2022

Board of Directors

Lee Eng Leong (*Non-Independent Executive Chairman*)
Dato' Amin Rafie Bin Othman (*Independent Non-Executive Deputy Chairman*)
Ir. James Wong Tet Foh (*Group Managing Director & Chief Executive Officer*)
Chew Hoy Ping (*Senior Independent Non-Executive Director*)
Oei Su Lee (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/ Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On 30 June 2022, UOBKH had, on behalf of the Board, announced that Xelmont, an indirect wholly-owned subsidiary of Mudajaya had on 30 June 2022 entered into the SSPA with MHL for the proposed acquisition of the entire equity interest in Real Jade for an indicative purchase consideration of HKD400,000,000 (equivalent to RM224,320,000) to be fully satisfied via cash.

For the avoidance of doubt, the Proposed Acquisition **WILL NOT RESULT IN A SIGNIFICANT CHANGE IN THE BUSINESS DIRECTION OR POLICY OF MUDAJAYA GROUP** premised on the following:-

- (a) Real Jade Group is in a business similar to the core business of Mudajaya Group as both are involved in the trading & manufacturing of construction materials and closely related raw materials (i.e. cements and concretes);
- (b) the Proposed Acquisition will not result in a change in the controlling shareholder of Mudajaya;
- (c) the Proposed Acquisition will not result in a change in the Board of Mudajaya;

- (d) the Proposed Acquisition is not an acquisition of assets by a corporation classified as a cash company by Bursa Securities under Chapter 8 of the Listing Requirements to regularise its condition;
- (e) the Proposed Acquisition does not involve the transfer of Mudajaya's listing status and introduction of new assets to the other corporation; or
- (f) the Proposed Acquisition is not a qualifying acquisition by a special purpose acquisition company (SPAC).

The following professionals and/ or experts as disclosed in this Circular were appointed by the Board in relation to the Proposed Acquisition:-

Name	Role	Date of appointment
UOB Kay Hian Securities (M) Sdn Bhd	Adviser	11 March 2022
Messrs Deloitte PLT	Reporting Accountants	01 April 2022
Harneys Westwood & Reigels Singapore LLP	BVI Legal Expert	22 February 2022
PC. Woo & Co	Hong Kong Legal Expert	21 February 2022
P.C. Woo & ZhongLun W.D. LLP	PRC Legal Expert	25 February 2022
Asia Equity Research Sdn Bhd	Industry Expert	11 March 2022
Protégé Associates Sdn Bhd	Independent Market Researcher	15 September 2022

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED ACQUISITION AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE EGM. THE NOTICE OF THE EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED ACQUISITION TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition by Xelmont, an indirect wholly-owned subsidiary of Mudajaya of the entire equity interest in Real Jade, from the Vendor, for the indicative purchase consideration of HKD400,000,000 (equivalent to RM224,320,000) which shall be satisfied entirely via cash.

Upon completion of the Proposed Acquisition, Real Jade will become a wholly owned subsidiary of Xelmont, which will make it an indirect wholly-owned subsidiary of Mudajaya. Subject to the terms and conditions of the SSPA, the Sale Share will be acquired free from all liens, charges and encumbrances and with full legal and beneficial title with all rights, benefits and advantages attaching thereto and on the basis of the warranties provided by the Vendor.

The salient terms of the SSPA are set out in **Appendix I** of this Circular.

2.1 Information on Xelmont

Xelmont was incorporated in BVI under the BVI Business Companies Act, 2004 on 23 September 2021 as a limited company. As at the LPD, the issued share capital of Xelmont is USD1 comprising 1 ordinary shares. Xelmont has yet to commence operations.

As at the LPD, the directors of Xelmont are as follows:-

Name	Designation	Nationality
James Wong Tet Foh	Director	Malaysian
Lee Eng Leong	Director	Malaysian

2.2 Information on Real Jade

2.2.1 Incorporation and business activities

Real Jade is principally engaged in investment holding. Through its subsidiaries, Real Jade commenced its business in 1993 and is principally involved in the manufacturing, sales and trading of cement in PRC. Real Jade Group is also involved in the provision of energy conservation and reuse solutions through the installation of energy efficient and environmentally friendly air-conditioning systems and heating systems for commercial, residential and industrial buildings.

Real Jade Group conducts its manufacturing operations of cement and clinker solely in PRC and all of its customers are based in PRC. Limestone and clay are the main raw materials for its manufacturing of cement which is sourced locally in PRC. These raw materials are readily available and obtainable from local suppliers in PRC.

Ng Qing Hai, the director of Real Jade has been the key personnel driving the business. He was first appointed the director of Shanghai Allied Cement Co., Limited, a subsidiary of Real Jade, in 1995 and has over 25 years of experience in the cement-related business. Mr. Ng has entered into a service contract with Shanghai Allied Cement Holdings Limited, a subsidiary of Real Jade, for a term of 3 years commencing from 19 October 2021. Further details on his profile are set out in **Section 2.2.3** below.

The revenue contribution of each of the business segments for the past 3 financial years up to the FYE 31 December 2021 is set out below:-

	-----Audited----->								
	-----FYE 31 December----->								
	<-----2019----->			<-----2020----->			<-----2021----->		
	HKD'000	RM'000*	%	HKD'000	RM'000*	%	HKD'000	RM'000*	%
Revenue[^]	561,199	294,966	100.0	498,130	258,131	100.0	615,465	329,582	100.0
Manufacture and sales of cement and clinker [^]	472,915	248,564	84.3	404,508	209,616	81.2	479,339	256,686	77.9
Trading of cement [^]	75,130	39,488	13.4	70,861	36,720	14.2	56,724	30,376	9.2
Manufacture and sales of building stones [^]	-	-	-	-	-	-	59,964	32,111	9.7
Provision of service on environmental protection and energy conservation [^]	13,154	6,914	2.3	22,761	11,795	4.6	19,438	10,409	3.2

Notes:-

[^] Extracted from the Accountants' Report, **Appendix III** of this Circular audited by the Reporting Accountant

^{*} The HKD amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial years under review, as follows:-

FYE 31 December 2019	HKD1.00 : RM0.5256
FYE 31 December 2020	HKD1.00 : RM0.5182
FYE 31 December 2021	HKD1.00 : RM0.5355

The manufacturing and sales of cement and clinker as well as the trading of cement are the largest revenue contributors to Real Jade Group, collectively contributing approximately 97.7%, 95.4% and 87.1% to the total revenue during the financial years under review. The operating profits generated from these divisions are set out below:-

<-----FYE 31 December----->					
<-----2019----->		<-----2020----->		<-----2021----->	
HKD'000	RM'000*	HKD'000	RM'000*	HKD'000	RM'000*

Operating profit (before interest and tax)

Manufacture and sales of cement and clinker	109,247	57,420	27,233	14,112	110,399	59,119
Trading of cement	70,542	37,077	72,499	37,569	49,754	26,643

Note:-

* The HKD amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial years under review, as follows:-

FYE 31 December 2019	HKD1.00 : RM0.5256
FYE 31 December 2020	HKD1.00 : RM0.5182
FYE 31 December 2021	HKD1.00 : RM0.5355

Real Jade's manufacturing operations begin with sourcing the raw materials with the appropriate quality and texture (such as limestone and clay) from external suppliers. The raw materials are first crushed, grounded into finer particles and carefully stored in silos. The exact amount of the required materials are weighed out to a careful proportion and then burned in a cement kiln at temperatures up to 1,350 to 1,550°C. The burned product emerges from the kiln as small nodules of clinker. These pass into coolers, where the heat is transferred to incoming air and the product cooled. The clinker may be immediately ground to cement or stored in stockpiles for later use. The resulting cement and clinker is then packaged and transported to construction players.

As at the LPD, Real Jade Group owns and operates a production plant located in Dunzhuangcun, Jiantouji Town, Taierzhuang District, Zaozhuang, 277405, Shandong, PRC, with a total land area of approximately 1.4 million square feet for their manufacturing of cement and clinker. The production plant has been operational for 17 years since 2005 and has a maximum annual capacity of 1,000,000 tonnes per annum. It had been operating at full capacity over the financial years under review, with average daily production output as follows:-

	FYE 31 December 2019	FYE 31 December 2020	FYE 31 December 2021
Average daily production output (tonnes per day)	2,964	2,982	3,014

In addition to the manufacturing, sales and trading of cement, Real Jade Group's business activities also include the provision of energy conservation and reuse solutions. Real Jade Group expanded its business activities into this business in 2016. Real Jade Group provides facilities, equipment, and energy conservation and environmentally friendly solutions through the installation of energy efficient and environmentally friendly air-conditioning systems and heating systems for commercial, residential and industrial buildings. The installation of these air-conditioning systems and heating systems help to increase efficiency and reduce emissions of the buildings. Real Jade does not enter into any long-term contracts with these companies and is only engaged by them on a project-by-project basis. The table below sets out the major customers of Real Jade, all of which are located in PRC:-

Customers

Core operations

Shanghai Construction Building Materials Technology Group Co., Ltd	Construction of infrastructure
Shanghai Residential Group JianKe Chemical Construction Materials Co.,Ltd	Construction of infrastructure
Shanghai ShenKun Concrete Group Co.,Ltd	Construction of infrastructure
Shanghai JieTeng Building Materials Co., Ltd	Construction of infrastructure
Shandong HongJu Building Materials Co., Ltd	Real estate developments
Suqian YeFeng Building Materials Co., Ltd	Real estate developments
Suqian YunRui Materials Co., Ltd	Real estate developments
Xuzhou ZhenNing New Building Materials Co., Ltd	Construction of infrastructure

A summary of Real Jade Group's total employees for the past 3 financial years up to FYE 31 December 2021 is as follows:-

	<-----Number of employees----->		
	FYE 31 December 2019	FYE 31 December 2020	FYE 31 December 2021
Manufacture and sales of cement and clinker	203	214	207
Trading of cement	27	27	25
Manufacture and sales of building stones	-	-	21
Provision of service on environmental protection and energy conservation	9	10	12

Further, Real Jade Group also conducts research in relation to new types of cements to diversify its product offerings for its business. The total expenditure on research and number of research employees for the past 3 financial years up to FYE 31 December 2021 are as follows:-

	<-----Total expenditure on research----->		Number of employees
	RMB'000	RM'000*	in research
FYE 31 December 2019	13,107	7,705	54
FYE 31 December 2020	12,829	7,878	55
FYE 31 December 2021	14,472	9,541	56

Note:-

* The RMB amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial year under review, as follows:-

FYE 31 December 2019	RMB1.00 : RM0.5879
FYE 31 December 2020	RMB1.00 : RM0.6141
FYE 31 December 2021	RMB1.00 : RM0.6593

Real Jade Group's business is not expected to be phased out by the PRC authority as it was issued a manufacturing license on 26 April 2021 with an expiry date on 30 December 2025. Shandong Allied Wangchao Cement Limited, a wholly-owned subsidiary of Real Jade, is the authorised license holder. The license tenure of 5 years is in line with the industry norm, and is subject to further renewal which can be applied 6 months prior to expiry. Further, Real Jade Group also owns a mining license of limestone quarry (raw material for cement) for a period of 10 year commencing 8 July 2020 to 8 July 2030.

As at the LPD, the Board is not aware of any directive nor policy from PRC that may have an adverse impact to the financials and operations of Real Jade Group.

2.2.2 Share capital and convertible securities

As at the LPD, the issued share capital of Real Jade is USD1 comprising 1 Real Jade Share and it does not have any convertible securities.

2.2.3 Directors and shareholders

As at the LPD, the directors of Real Jade and their shareholdings in Real Jade are as follows:-

Name	Designation	Nationality	<--Direct interest-->		<---Indirect interest--->	
			No. of shares	%	No. of shares	%
Cheng Lung Don	Director	Chinese	-	-	1	100 ^{*1}
Ng Qing Hai	Director	Chinese	-	-	-	-
Lee Eng Leong ^{*2}	Director	Malaysian	-	-	-	-
James Wong Tet Foh ^{*2}	Director	Malaysian	-	-	-	-
Tech Teik Thiam ^{*2}	Alternate Director	Malaysian	-	-	-	-
Tan Chin Boo ^{*2}	Alternate Director	Malaysian	-	-	-	-

Notes:-

^{*1} *Deemed interest by virtue of his shareholding in Master Cheers Enterprises, Mastery Holdings and MHL, which in turn holds 100.0% equity interest in Real Jade*

^{*2} *Appointed on 30 June 2022 in concurrence with the execution of the SPA. Their appointment was to safeguard Mudajaya's interest in Real Jade while pending completion of the Proposed Acquisition as well as to facilitate the ownership transition*

Cheng Lung Don, aged 67, is a Chinese living in Hong Kong. He graduated from Hong Kong Baptist University majoring in Accounting. Mr. Cheng is a businessman and has been a consultant to a number of listed companies in Hong Kong for the past 25 years, as well as a strategic investor based in Hong Kong and the PRC undertaking a number of projects involving corporate restructuring, mergers and acquisitions for turnaround.

Notwithstanding that it was initially agreed that Mr. Cheng is to resign from the board of Real Jade immediately after the execution of the SSPA, this is however only envisaged to occur after the completion of the Proposed Acquisition as Mr. Cheng shall continue to be responsible for overseeing Real Jade's operations during the transition process.

Ng Qing Hai, aged 67, is a Chinese living in Shanghai. He has over 25 years of experience in the cement-related business. He completed a 3 years course in finance and accounting in building materials industry in 1983. He is a non-practising member of The Chinese Institute of Certified Public Accountants. Mr. Ng was the 6th Vice Chairman of Shanghai Cement Industrial Association of the PRC, and was a fellow member of the Asian Knowledge Management Association from November 2005 to November 2006. He was appointed as a member of 11th and 12th Shandong Provincial Committee of the Chinese People's Political Consultative Conference in January 2013 and January 2018, respectively. Mr. Ng was an Executive Director from December 2011 to September 2018 of Allied Cement Holdings Limited (now known as Tongfang Kontafarma Holdings Limited), and a Non-Executive Director of China Shanshui Cement Group Limited from December 2015 to February 2016.

Mr. Ng has entered into a service contract with Shanghai Allied Cement Holdings Limited, a subsidiary of Real Jade, for a term of 3 years commencing from 19 October 2021 subject to early termination without any compensation for the loss of his position. Pursuant to the service contract, Mr. Ng is entitled to an emolument of HKD237,000 (RM132,910) per month.

Lee Eng Leong, aged 54, is a Malaysian living in Malaysia. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He attained his INSEAD Global Executive Master of Business Administration (MBA) in 2018. Mr. Lee was formerly the Group Chief Financial Officer of Alliance Bank Malaysia Berhad from January 2010 to October 2012. Prior to joining Alliance Bank Malaysia Berhad, he was the Chief Financial Officer for Microsoft, a major global company where he oversaw their finance operations covering the Asia region. For over 20 years, he has held various leadership roles in management positions within both local companies and multinational companies in Asia.

James Wong Tet Foh, aged 61, is a Malaysian living in Malaysia. He graduated with a Bachelor of Science (1st Class Honours) in Civil Engineering in 1984 and a Master of Science in 1985 from Imperial College of Science, Technology & Medicine, United Kingdom. He also completed a Master of Business Administration (Finance) Programme from Nottingham University Business School in 2015. He attained his Professional Engineer registration with the Board of Engineers Malaysia in 1989 after having spent the first 5 years of his career with a forensic engineering consultancy firm specialising in distressed buildings or infrastructure works covering the fields of geotechnical, structural and material investigations. Mr. Wong joined the UEM group of companies in 1989 where he served for 21 years in various capacities such as Chief Operating Officer for UE Construction Sdn Bhd (2002-2004) and Director of International Projects for UEM Builders Berhad (2004-2009). His stint with UEM covered projects in India, Middle East, Indonesia and Singapore. In 2009, he moved to Lafarge Concrete (M) Sdn Bhd as Vice President of Marketing and Strategy (Asia). Prior to joining Mudajaya, he served as Business Development Director of IJM Corporation Bhd and subsequently as Managing Director of IJM's toll highway concession asset companies in Malaysia and India.

Teoh Teik Thiam, aged 53, is a Malaysian living in Malaysia. He graduated with a Bachelor of Engineering (1st Class Honours) Degree in Civil Engineering in 1993 from University of Malaya. He attained his Professional Engineer registration with the Board of Engineers Malaysia in 1997 after having worked 4 years in both design office and project implementation. He is also a corporate member of The Institution of Engineer, Malaysia. He started his career as a Design Engineer with Gamuda Berhad in 1993 and has served as Section Head from 1997 to 1999. Mr. Teoh joined Zelan Construction Sdn Bhd as Technical Manager in 1999 and has since been involved in various infrastructure projects in Malaysia, India and Indonesia as Project Manager and Project Coordinator. He was the General Manager of Zelan Construction Sdn Bhd from 2007 to 2009. He joined Macrobro Sdn Bhd as Head of Commercial from 2009 to July 2011 where he was involved in business development for new ventures in China and Australia as well as property development opportunities in Malaysia. Prior to joining Mudajaya, Mr. Teoh was the Country Director for IJM India involved in the construction, real estate development and tollway business.

Tan Chin Boo, aged 32, is a Malaysian living in Malaysia. He graduated with a BSc (Hons) Degree in Applied Accounting from Oxford Brookes University and is a fellow member of the Malaysian Institute of Accountants and Association of Chartered Certified Accountants, United Kingdom. Prior to joining Mudajaya, Mr. Tan had a professional career with KPMG Malaysia starting in 2013 for period of 6 years. Whilst at KPMG, he was engaged and involved in the audits of public listed and private companies in various industries including manufacturing, trading, property development, retail, oil and gas, shipping and services.

As at the LPD, the substantial shareholders of Real Jade and their shareholdings in Real Jade are as follows:-

Name	Nationality/ Place of incorporation	<---Direct interest--->		<-----Indirect interest----->	
		No. of shares	%	No. of shares	%
MHL	BVI	1	100	-	-
Master Cheers Enterprises	BVI	-	-	1	100 ^{*1}
Mastery Holdings	BVI	-	-	1	100 ^{*2}
Cheng Lung Don	Chinese	-	-	1	100 ^{*3}

Notes:-

^{*1} Deemed interest by virtue of its shareholding in MHL, which in turn holds 100.0% equity interest in Real Jade

^{*2} Deemed interest by virtue of its shareholding in Master Cheers Enterprise, which in turn holds 100.0% equity interest in MHL

^{*3} Deemed interest by virtue of his shareholding in Mastery Holdings, which in turn holds 100.0% equity interest in Master Cheers Enterprise

2.2.4 Subsidiary and associate companies

As at the LPD, the subsidiaries of Real Jade are as follows:-

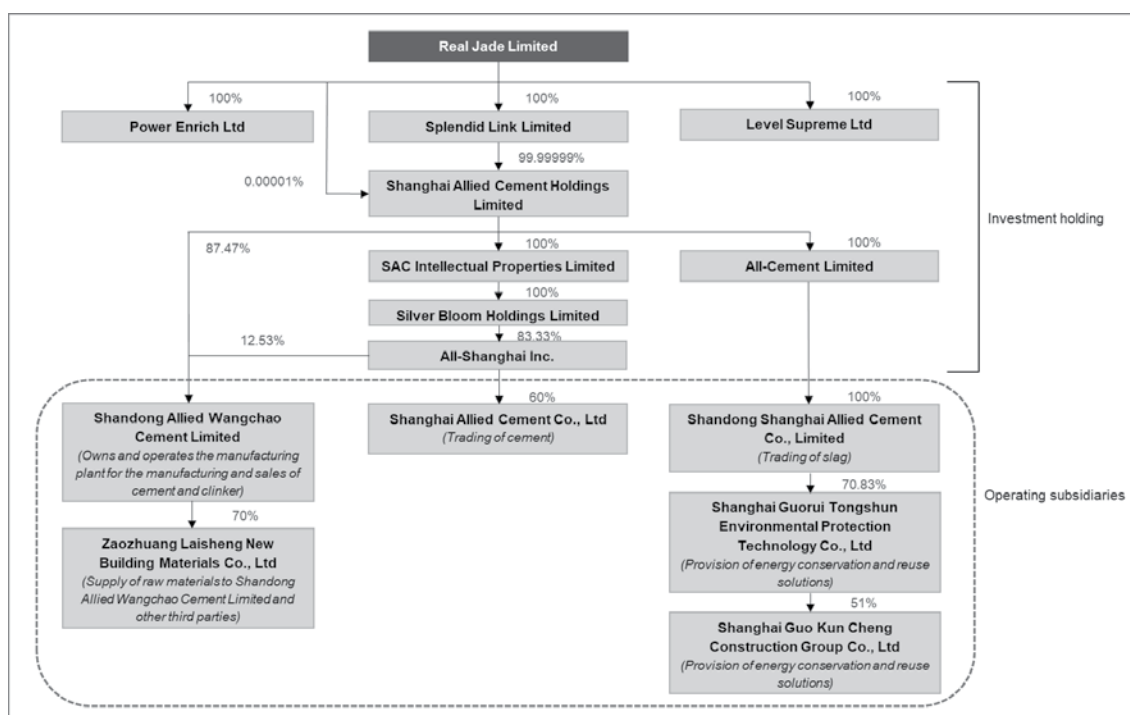
Company	Date/ place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Splendid Link Limited	19 Nov 2010/ BVI	USD1	100.0	Investment holding
Power Enrich Ltd	16 Oct 2020/ BVI	USD1	100.0	Dormant
Level Supreme Ltd	5 Oct 2020/ BVI	USD1	100.0	Dormant
Shanghai Allied Cement Holdings Limited	21 May 2001/ Hong Kong	HKD10,000,000	100.0	Investment holding
SAC Intellectual Properties Limited	11 Mar 2010/ BVI	USD1	100.0	Investment holding

Company	Date/ place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Silver Bloom Holdings Limited	18 Feb 2019/ Hong Kong	HKD10,000	100.0	Investment holding
All-Shanghai Inc.	1 Mar 1993/ BVI	USD15,376,500	83.33	Investment holding and cement business
All-cement Limited	5 Jan 2001/ BVI	USD1	100.0	Investment holding and cement business
Shandong Allied Wangchao Cement Limited	29 Dec 2003/ PRC	USD29,360,000	100.0 ^{*1}	Manufacture and sales of cement and clinker The production plant of Real Jade Group is operated by this subsidiary
Shanghai Allied Cement Co., Ltd	31 Dec 1993/ PRC	USD104,000,000	50.00	Trading of cement and clinker
Shandong Shanghai Allied Cement Co., Ltd	8 Jun 2001/ PRC	USD1,000,000	100.0	Manufacture and sales of slag
Zaozhuang Laisheng New Building Materials Co., Ltd	2 Nov 2020/ PRC	USD2,450,000	70.0	Manufacture and sales of buildings stones
Shanghai Guorui Tongshun Environmental Protection Technology Co., Ltd	29 July 2016/ PRC	RMB12,000,000	70.83	Provision of energy conservation and reuse solutions
Shanghai Guo Kun Cheng Construction Group Co., Ltd	7 August 2020/ PRC	RMB100,000	36.12	Provision of energy conservation and reuse solutions

Note:-

^{*1} Pursuant to the trust agreement dated 20 May 2020, Shanghai Allied Cement Holdings Limited had entrusted All-Shanghai Inc. to hold 12.53% of the equity interest in Shandong Allied Wangchao Cement Limited on its behalf. The decision was arrived at after commercial negotiation amongst the subsidiaries, which will not have any impact to the group's structure

The corporate structure of Real Jade Group is depicted in the diagram as follows:-



For the avoidance of the doubt, none of the shareholders of Real Jade's subsidiaries are related parties to the Directors, major shareholders, chief executives of Mudajaya and/ or persons connected with them.

As at the LPD, Real Jade does not have associate companies and joint venture companies.

2.2.5 Summary of financial information

A summary of the financial information of Real Jade Group for the past 3 financial years up to the FYE 31 December 2021 is as follows:-

	Audited					
	FYE 31 December					
	2019		2020		2021	
	HKD'000	RM'000*	HKD'000	RM'000*	HKD'000	RM'000*
Revenue [^]	561,199	294,966	498,130	258,131	615,465	329,582
Gross profit [^]	250,456	131,640	188,573	97,719	220,817	118,248
PBT [^]	41,567	21,848	204,224	105,829	20,681	11,075
PAT/ (LAT) [^]	99	52	164,183	85,080	(19,888)	(10,650) ^{*1}
Gross profit margin (%)	44.63	44.63	37.86	37.86	35.88	35.88
PAT margin (%)	0.02	0.02	32.96	32.96	-	-
NA per share	285,193	149,897	459,506	238,116	430,498	230,532
Gearing ratio (times)	1.40	1.40	1.06	1.06	0.49	0.49
Current ratio (times)	1.31	1.31	1.50	1.50	1.93	1.93

Notes:-

[^] Extracted from the Accountants' Report, **Appendix III** of this Circular audited by the Reporting Accountant

^{*} The HKD amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial years under review, as follows:-

FYE 31 December 2019	HKD1.00 : RM0.5256
FYE 31 December 2020	HKD1.00 : RM0.5182
FYE 31 December 2021	HKD1.00 : RM0.5355

^{*1} The LAT recorded for the FYE 31 December 2021 was mainly attributed to the waiver of a HKD347.65 million (RM186.17 million) debt due from MHL which was also non tax-deductible. Please refer to **Note 8, Appendix III** of this Circular for the detailed breakdown of Real Jade Group's taxation over the financial years under review

On 13 November 2020, MHL (as purchaser) had entered into a share sale agreement with Fortunate Gold Limited ("**Fortunate Gold**") (as seller) for the acquisition of the entire equity interest in Real Jade for a purchase consideration of HKD349.65 million (RM187.24 million) to be settled via (i) payment in cash for the sum of HKD2.00 million (RM1.07 million); and (ii) the assumption of all liabilities and obligations by MHL for the sum of HKD347.65 million (RM186.17 million) owing by Fortunate Gold to Real Jade ("**Initial Acquisition**").

Notwithstanding that Real Jade had previously requested for the repayment of the debt, MHL as the sole shareholder of Real Jade, had via a resolution dated 1 December 2021 waived off its obligation to repay the entire HKD347.65 million (RM186.17 million) assumed from Fortunate Gold. This decision was arrived at after taking into consideration that the debt was transferred and novated to MHL from Fortunate Gold, and it was not a transaction between MHL and Real Jade (i.e. the debt was not incurred between MHL and Real Jade).

For the avoidance of doubt, the novation and waiver were past transactions involving MHL and Fortunate Gold, in which Mudajaya was not a party to. In view of the foregoing, the novation and waiver which were deemed as past events, will not have any impact nor form part of the negotiations held by the Vendor and Mudajaya in the Proposed Acquisition. After taking into consideration the above and the fact that the Purchase Consideration was arrived at after netting off the said waiver of HKD347.65 million (RM186.17 million) from Real Jade's NA, the Board opines that the waiver is not envisaged to have any impact on the future operations of Mudajaya and Real Jade moving forward.

The fair valuation range as ascribed by AER of between HKD386 million (RM217 million) to HKD430 million (RM242 million) ("**Fair Value Range**") has taken into consideration the obligation by MHL to repay the entire of HKD347.65 million (RM186.17 million) to Real Jade ("**Waiver**"). The Waiver has the effect of reducing the audited NA of Real Jade as at 31 December 2021 by HKD347.65 million (RM186.17 million). As the Purchase Consideration is within the Fair Value Range, it is fair and reasonable.

On the other hand, the amount owing from Real Jade to MHL of HKD150.00 million (RM80.33 million) as at 31 December 2021, represents a cash injection by MHL into Real Jade for debt restructuring purposes. As it is MHL's intention to fully recoup its capital injection of HKD150.00 million (RM80.33 million) in the form of cash, the said amount remains repayable to MHL and was not set-off against the Waiver of HKD347.65 million (RM186.17 million).

The Fair Value Range as ascribed by AER has taken into consideration the obligation by Real Jade to repay MHL for a sum of HKD150.00 million (RM80.33 million) ("**Obligation**"). AER has in its appraisal deducted the Obligation in the EV/EBITDA approach of determining the fair equity value of Real Jade. As the Purchase Consideration is within the Fair Value Range, it is fair and reasonable.

Further information on Real Jade Group is set out in **Appendix II** of this Circular.

2.3 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration in respect of the Proposed Acquisition was arrived at on a willing-buyer willing-seller basis, after taking into consideration the mutually agreed NA of Real Jade of HKD400,000,000 (equivalent to RM224,320,000) ("**Accepted NA**").

In ensuring that the Accepted NA is achieved, the latest audited NA of Real Jade before the completion of the Proposed Acquisition ("**Completion NA**") is subject to the following adjustments, if any:-

Scenario I: Excess NA

In the event that the Completion NA exceeds the Accepted NA ("**Excess NA**"), the Vendor shall subject always to all applicable laws, be entitled to:-

- (i) distribute assets of Real Jade in the form of cash with a value equal to the Excess NA (but not comprising more than 50% of Real Jade's cash balances). The ceiling of 50% was determined on a willing buyer-willing seller basis so as to ensure that Real Jade has adequate cash reserves to meet its short-term funding requirements. In any event, the immediate NA after the Proposed Acquisition is not expected to fall below HKD400.00 million (RM224.32 million) after the distribution of assets; or
- (ii) proceed to completion of the Proposed Acquisition without any cash or asset distribution, at the election and sole discretion of the Vendor.

Scenario II: Shortfall NA

In the event that the Completion NA is less than the Accepted NA ("**Shortfall NA**"), the Purchaser may proceed to completion of the Proposed Acquisition without adjustment of the Purchase Consideration or seek for an adjustment (equivalent to at least the Shortfall NA), at the election and sole discretion of the Purchaser.

Example

Purely for illustration purpose, it is assumed that Real Jade's audited NA of HKD430.50 million (RM241.42 million) as at 31 December 2021 was adopted for the Proposed Acquisition:-

		HKD'million	RM'million
Completion NA	(A)	430.50	241.42
Accepted NA	(B)	400.00	224.32
Excess NA	(A) - (B)	30.50	17.10

Pursuant to the adjustments, the Vendor is entitled to distribute the Excess NA of HKD30.50 million (RM17.10 million) by way of dividend payment in order to achieve the Accepted NA of HKD400.00 million (RM224.32 million) upon completion of the Proposed Acquisition. It is the Vendor's intention to distribute the Excess NA entirely from Real Jade's cash reserves, which stood at HKD116.90 million (RM65.56 million) as at 31 December 2021.

A summary of the cash position of Real Jade Group for the past 3 financial years up to the FYE 31 December 2021 is as follows:-

	Audited					
	FYE 31 December					
	<-----2019----->	<-----2020----->	<-----2021----->			
	HKD'000	RM'000*	HKD'000	RM'000*	HKD'000	RM'000*
Cash flow from operating activities [^]	(96,324)	(50,628)	(38,391)	(19,894)	341,220	182,723
Cash flow from investing activities [^]	99,702	52,403	(23,382)	(12,117)	(110,876)	(59,374)
Cash flow from financing activities [^]	15,777	8,292	68,425	35,458	(205,885)	(110,251)
Net increase in cash and cash equivalent[^]	19,155	10,068	6,652	3,447	24,459	13,098
Cash and cash equivalents at the beginning [^]	53,807	28,281	66,048	34,715	86,945	45,055
Effect of foreign exchange rate changes [^]	(6,914)	(3,634)	14,245	7,382	5,496	2,943
Cash and cash equivalents at the end[^]	66,048	34,715	86,945	45,055	116,900	62,600

Notes:-

[^] Extracted from the Accountants' Report, **Appendix III** of this Circular audited by the Reporting Accountant

^{*} The HKD amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial years under review, as follows:-

FYE 31 December 2019	HKD1.00 : RM0.5256
FYE 31 December 2020	HKD1.00 : RM0.5182
FYE 31 December 2021	HKD1.00 : RM0.5355

The negative operating cash flows recorded for the FYEs 31 December 2019 and 2020 was mainly attributable to slower collections from customers arising from the COVID-19 pandemic. Nonetheless, the Board opines that the cash and cash equivalent of Real Jade Group is sustainable in the foreseeable future, given that it has been recording positive Adjusted EBITDA over the financial years under review (as illustrated in **Section 5, Appendix II** of this Circular), coupled with the current ratio of more than 1.00, implying it has sufficient capital on hand to meet short-term obligations. Further, Real Jade Group's gearing level of 0.49 times as at 31 December 2021 indicates that there is still room to leverage should need be for funding purposes.

The Board opines that the Purchase Consideration is reasonably justified after taking into consideration the following factors:-

- (i) the rationale and benefits of the Proposed Acquisition as set out in **Section 4** of this Circular;
- (ii) the outlook of the cement industry in PRC as set out in **Section 5.4** of this Circular and
- (iii) the future prospects of Real Jade and the enlarged Mudajaya Group, as set out in **Section 5.8** of this Circular.

In addition to the above and pursuant to item (4), Part F of Appendix 10B of the Listing Requirements, the Company has appointed AER to provide an Expert's Report on the fairness of the Purchase Consideration for the Proposed Acquisition.

The Purchase Consideration represents the Accepted NA of HKD400 million (RM224.32 million), which was arrived at based on the NA of Real Jade that has been netted off against (i) the Waiver of HKD347.65 million (RM186.17 million); and (ii) the payout of the indicative Excess NA of HKD30.50 million (RM17.10 million). AER is of view that the Purchase Consideration of HKD400 million (RM224.32 million) is fair as it falls within the Fair Value Range ascribed of between HKD386 million (RM216 million) to HKD430 million (RM241 million), further details of which are set out in **Appendix VII** of this Circular.

2.4 Mode of settlement

Pursuant to the terms of the SSPA, the Purchase Consideration shall be satisfied entirely in cash in the following manner:-

Payment terms	Timing*	HKD'000	RM'000	%
Initial sum	By the completion of the Proposed Acquisition	201,000	112,721	50.3
Balance consideration	One lump sum payment together with any unpaid accrued interest on or before the expiration of two years after the completion of the Proposed Acquisition	199,000*1	111,599*1	49.7
Total		400,000	224,320	100.0

Notes:-

* For the avoidance of doubt, the SSPA only stipulates that the initial sum be paid to the Vendor by the completion date without a specific payment milestone; whilst the balance consideration will be settled by the Purchaser in one lump sum payment together with any unpaid accrued interest on or before the expiration of 2 years after the completion date

^{*1} Potential finance cost of HKD9.95 million (RM5.58 million) per annum is expected to arise from the vendor financing

At this juncture, it is the Board's intention to pay (i) the initial sum via a combination of Mudajaya Group's internally generated funds and bank borrowings by the completion date, which is envisaged to occur in the 4th quarter of 2022; and (ii) the balance consideration via cash generated from the enlarged Group (including Real Jade)'s ongoing operations in the next 2 years.

The Board opines that the settlement of the balance consideration via vendor financing is in the best interest of the Company as it allows the Group with additional period to meet its payment obligations, as well as the flexibility to settle all outstanding amount via cash generated from the enlarged Group's ongoing operations. For shareholders' information, the interest rate of 5% per annum is lower than the Group's weighted average interest rate of 5.86% for the 6-month FPE 30 June 2022.

The Vendor would be in default if it fails to complete the Proposed Acquisition after the receipt of the initial sum and the right of the Purchaser to terminate the SSPA shall prevail. This, amongst others, will allow the Purchaser to insist on completion or terminate the acquisition and the Vendor has to refund the paid initial sum. The parties also agreed that the Vendor's liability to all claims made by the Purchaser shall not exceed the aggregate of the Purchaser's out of pocket costs and expenses for the negotiation, entry into and implementation of the SSPA.

2.5 Background information of the Vendor

MHL was incorporated on 12 October 2020 under the laws of the BVI with limited liability. MHL is principally engaged in investment holding.

As at the LPD, MHL has a total issued share capital of USD1 comprising 1 ordinary share.

As at the LPD, the director of MHL and his shareholding in MHL are as follows:-

Name	Designation	Nationality	<-----Direct interest----->		<-----Indirect interest----->	
			No. of shares	%	No. of shares	%
Cheng Lung Don	Director	Chinese	-	-	1	100 ^{*1}

Note:-

^{*1} Deemed interest by virtue of his shareholding in Mastery Cheers Enterprises and Mastery Holdings, which in turn holds 100.0% equity interest in MHL

As at the LPD, the substantial shareholders of MHL and their shareholdings in MHL are as follows:-

Name	Nationality/ Place of incorporation	<-----Direct interest----->		<-----Indirect interest----->	
		No. of shares	%	No. of shares	%
Master Cheers Enterprises	BVI	1	100	-	-
Mastery Holdings	BVI	-	-	1	100 ^{*1}
Cheng Lung Don	Chinese	-	-	1	100 ^{*2}

Notes:-

^{*1} Deemed interest virtue of its shareholding in Master Cheers Enterprise, which in turn holds 100.0% equity interest in MHL

^{*2} Deemed interest virtue of his shareholding in Mastery Holdings, which in turn holds 100.0% equity interest in Master Cheers Enterprise

For shareholders' information, MHL had on 13 November 2020 entered into a share sale agreement with Fortunate Gold pertaining to the Initial Acquisition of Real Jade. After owning the company for less than 2 years, MHL has decided to exit Real Jade to embark on other investment opportunities.

2.6 Liabilities to be assumed

Save for the obligation and liabilities in and arising from, pursuant to or in connection with the SSPA for the Proposed Acquisition, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by Mudajaya Group pursuant to the Proposed Acquisition.

Real Jade has a total borrowing and lease liabilities of HKD212.39 million (RM113.73 million) recorded for the FYE 31 December 2021, out of which HKD81.12 million (RM43.44 million) is due for repayment within one year.

2.7 Additional financial commitment required

Upon completion of the Proposed Acquisition, there are no additional financial commitments including the injection of capital expenditures for the upgrading of production lines to be incurred by Mudajaya Group to put the business of Real Jade on-stream.

Real Jade is already an on-going business entity with existing operations. In the FYE 31 December 2021, Real Jade Group recorded net cash of HKD341.22 million (RM182.72 million) from its operation activities with a gearing level of 0.49 times.

2.8 Source of funding

The Purchase Consideration for the Proposed Acquisition shall be satisfied via a combination of internally generated funds, bank borrowings and vendor financing, the exact quantum of which will be determined by the Board at a later date upon obtaining all the necessary approvals. Based on internal preliminary discussion, the indicative quantum of the funding is tabulated in the following manner:-

	HKD'000	RM'000	%
Internally generated funds and bank borrowings	201,000	112,721	50.3
Vendor financing ^{*1}	199,000	111,599	49.7
Total	400,000	224,320	100.0

Note:-

^{*1} Vendor financing is subject to an interest rate of 5% per annum calculated from the date of completion of the Proposed Acquisition to the date of full payment of the balance consideration

The initial sum of HKD201.00 million (RM112.72 million) will be satisfied via a combination of Mudajaya Group's internally generated funds and bank borrowings by the completion date. For shareholders' information, the Group's cash and bank balances stood at approximately RM125.50 million as at 30 June 2022, as well as available bank facilities of RM55.00 million, of which none has been utilised. Pursuant thereto, the Board confirms that the Group has sufficient capital to pay for the initial sum, and has the capacity to incur additional debts to finance its existing operations.

The Group's cash position is not expected to be materially affected by the payment of the initial sum given the post-Acquisition cash and bank balances of RM122.92 million as set out in **Appendix IV** of this Circular. Further, the Board has also endeavoured to operate Real Jade in a prudent manner to ensure its financial sustainability moving forward.

Vendor financing refers to the deferment of the balance consideration of HKD199.00 million (RM111.60 million) for a period of 2 years with a 5% accrued interest to allow the Group with additional period to meet its payment obligations, as well as the flexibility to settle all outstanding amount via cash generated from the enlarged Group (including Real Jade)'s ongoing operations. For shareholders' information, the interest rate of 5% per annum is lower than the Group's weighted average interest rate of 5.86% for the 6-month FPE 30 June 2022.

3. POLICIES ON THE FOREIGN INVESTMENTS, REPATRIATION OF PROFITS AND TAXATION

3.1 BVI

Policies on foreign investment

Under Section 28 of the BVI Business Companies Act 2004 ("**BC Act 2004**"), it provides that subject to the Memorandum of Association ("**Memorandum**") and Articles of Association ("**Articles**") of the company, a BVI business company has, irrespective of corporate benefit:-

- (a) full capacity to carry on or undertake any business or activity, to do any act or enter into any transaction; and
- (b) for the purposes of paragraph (a) above, full rights, powers and privileges.

There are no restrictions under the Memorandum and Articles of Real Jade on the type of business that it may conduct or the investments it may make or own in foreign entities. There are also no restrictions on foreign shareholders in relation to Real Jade under the BC Act 2004.

Policies on repatriation of profits

Subject to a company's Memorandum and Articles, it may distribute its assets by a variety of methods (including a cash dividend or distribution in kind). The statutory definition of a "distribution" is broad and includes (a) any direct or indirect transfer of an asset (other than the company's own shares) to or for the benefit of a member; or (b) the incurring of a debt to or for the benefit of a member, in relation to the member's shares or entitlement to distributions (howsoever achieved).

In addition, subject to a company's Memorandum and Articles, a company's directors may authorise a distribution if they are satisfied, on reasonable grounds, that, immediately after the distribution (the Solvency Test):-

- (a) the value of the company's assets will exceed its liabilities; and
- (b) the company will be able to pay its debts as they fall due.

Regulation 18.1 of the Articles of Real Jade provides that the directors of the company may, by Resolutions of Directors (as defined in the Articles), authorise a Distribution (as defined in the Articles) at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that, the Solvency Test has been met. Regulation 18.2 of the Articles of Real Jade provides that Distributions may be paid in money, shares, or other property.

Other than set out above, there are no restrictions under BVI law that would prevent the repatriation of profits from a BVI business company to its shareholders outside of the BVI. Accordingly, profits repatriated by Real Jade to its overseas shareholders are not subject to any foreign exchange controls or foreign exchange regulations in the BVI provided that such distribution of profits is in compliance with its Memorandum and Articles and the Solvency Test above.

Policies on taxation

Under Section 242 of the BC Act 2004, business companies are exempted from all provisions of the Income Tax Act 1946 ("**ITA 1946**") (including dividends, interest, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the BVI). Notwithstanding the tax exemption provisions in the BC Act 2004, the ITA 1946 has in fact been amended to "zero rate" hence there is no longer any income tax, corporate or personal, in the BVI.

A payroll tax was introduced in the Payroll Taxes Act 2002 which payroll tax applies only in respect of the employees based physically and operating in the BVI. There is no withholding tax, capital gains tax, gift tax, capital transfer tax, estate duty, inheritance tax or succession tax in the BVI.

3.2 Hong Kong

Policies on foreign investment

There are generally no restrictions against foreign investments in companies incorporated in Hong Kong. Foreign investors are generally allowed to incorporate companies in Hong Kong and hold 100% shareholding interests in such companies, save and except for certain regulated sectors where foreign investors would require prior approval from the relevant regulators, such as broadcasting.

Accordingly, given the Hong Kong Subsidiaries of Real Jade Limited, namely, Shanghai Allied Cement Holdings Limited and Silver Bloom Holdings Limited (collectively, "**HK Subsidiaries**") are investment holding companies with no operations in Hong Kong, there are no restrictions or prohibitions under Hong Kong laws against the respective shareholders of the HK Subsidiaries, being companies incorporated in the BVI, in holding the shares of the HK Subsidiaries.

Under the laws of Hong Kong there is no impediment against the HK Subsidiaries holding or owning shares in a corporation established in the PRC. There is also no restriction under the articles of association of the HK Subsidiaries on the type of business that it may conduct or the investments it may make or own in foreign entities.

Policies on repatriation of profits

There are no foreign exchange control restrictions under Hong Kong law that would prevent a repatriation of funds in a foreign currency from Hong Kong to another country by a Hong Kong company.

While there are no restrictions on the payment of profits by a Hong Kong company to a foreign shareholder, under S. 297 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), a company may only make a distribution out of "profits available for distribution", which is defined as accumulated and realized profits, so far as not previously utilized by distribution or capitalization, less the company's accumulated, realized losses, so far as not previously written off in a reduction or reorganization of capital.

Save and except for the above, there are no restrictions governing the repatriation of profits by the HK Subsidiaries to its overseas shareholders. Accordingly, profits repatriated by the HK Subsidiaries to its overseas shareholders are therefore not subject to any form of control provided it is in compliance with the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and their respective articles of association.

Policies on taxation

i. Profit tax

Hong Kong adopts a territorial system of taxation, whereby persons (including corporations) carrying on any trade, profession or business in Hong Kong are chargeable to profits tax under the following conditions, namely: (i) he/ she/ it carries on a trade, profession or business in Hong Kong; (ii) the trade, profession or business derives profits; and (iii) the profits arise in or are derived from Hong Kong.

The principles for determining the source of profits are as follows:-

- (i) the nature of the profits and of the transactions which give rise to such profits;
- (ii) the operations which produced the relevant profits and ascertain where those operations take place;
- (iii) differentiating the geographical location of the profit-producing transactions from activities antecedent or incidental to those transactions;
- (iv) the place where the day-to-day investment/ business decisions take place is only one factor, and usually not the deciding factor, to determine the source of profits;
- (v) differentiating Hong Kong profits and offshore profits by making reference to the gross profits arising from individual transactions; and
- (vi) where the principal place of business is located in Hong Kong and there is no business presence overseas, profits earned by that business are likely to be chargeable to profits tax in Hong Kong.

In addition, certain sums derived from intellectual properties, not otherwise chargeable to tax, will be deemed as trading receipts arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong under section 15 of the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong).

The following sums are excluded from Hong Kong profits tax:-

- (i) dividends received from a corporation which is subject to Hong Kong profits tax;
- (ii) amounts already included in the assessable profits of other persons chargeable to Hong Kong profits tax;
- (iii) interest on tax reserve certificates;
- (iv) interest on, and any profit made in respect of a bond issued under the Loans Ordinance (Cap. 61 of the Laws of Hong Kong) or the Loans (Government Bonds) Ordinance (Cap. 64 of the Laws of Hong Kong), or in respect of an exchange fund debt instrument or in respect of a Hong Kong dollar-denominated multilateral agency debt instrument;
- (v) interest income and trading profits derived from long term debt instruments;
- (vi) interest, profits or gains from qualifying debt instruments (issued on or after 1 April 2018) exempted from payment of profits tax;
- (vii) sums received or accrued in respect of a specified investment scheme by or two the person as a person chargeable to profits tax in respect of a mutual fund, unit trust or similar scheme that is either (a) authorized as a collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong); or (b) the commissioner of inland revenue of Hong Kong is satisfied that the mutual fund, unit trust or investment scheme is a bona fide widely held investment which complies with the requirements of a supervisory authority within an acceptable regulatory regime;

- (viii) interest derived from any deposit placed in Hong Kong in an authorized institution, excluding interest received or accrued to a financial institution; and
- (ix) interest on and any profit made in respect of RMB sovereign bonds.

With effect from the year of assessment 2018/2019, there is a two-tiered profits tax rates regime in Hong Kong for a Hong Kong company, under which the first HKD2 million of assessable profits will be subject to the tax rate of 8.25%, and the assessable profits above HKD2 million will continue to be subject to the tax rate of 16.5%.

To avoid the abuse of the two-tiered tax regime, a group of companies consisting of a parent company and fellow subsidiaries can only nominate one entity to apply the two-tiered tax rates. When the parent company (i.e. Shanghai Allied Cement Holdings Limited) elects that it is chargeable at the two-tiered profits tax rates for the relevant year of assessment whereby no other connected entity (i.e. Silver Bloom Holdings Limited) is so chargeable, under such circumstances, Silver Bloom Holdings Limited would be charged at a standard tax rate of 16.5% for its assessable profits.

ii. **Capital gains tax, value-added tax and withholding tax**

There is no capital gains tax in Hong Kong. However, gains on disposal of assets may be subject to profits tax if the disposal constitutes a transaction in the nature of trade. Hong Kong does not impose any value-added tax and withholding tax.

3.3 **PRC**

Policies on foreign investment

Pursuant to the PRC Foreign Investment Law ("**FIL**") and its relevant regulations, foreign investors are entitled to directly or indirectly engage in investment activities within the territory of PRC. Foreign invested enterprises ("**FIE**") enjoy national treatment as domestic enterprises, that is to say, FIE shall also be subject to the PRC Company Law and PRC Partnership Enterprise Law.

Under the foreign investment regime of PRC, proposed investments may fall into within "restricted", "prohibited" or "encouraged" categories.

First of all, the Negative List for Market Access (2022 Edition) enumerates the industries, sectors and businesses that are prohibited from investing and operating in PRC or that may be allowed to invest and operate with the appropriate licenses. The said list applies to all the companies registered in PRC, including domestic and foreign investors.

Secondly, the National Development and Reform Commission and the Ministry of Commerce updates annually the Special Administrative Measures for Foreign Investment Access (Negative List) ("**Negative List**"). The Negative List (2021 Edition) sets out 31 special administrative measures which restrict or prohibit foreign investment.

Foreign investments in the "encouraged" category are listed in the Catalogue of Encouraged Industries for Foreign Investment (2020 Edition) which provides 480 encouraged foreign investment categories.

Other relevant rules concerning foreign investment include the Negative List for Access of Foreign Investment in Pilot Free Trade Zones (2021 Edition), which applies to foreign investment in Free Trade Zones.

Pursuant to the relevant laws and regulations of the PRC, investors from Hong Kong are subject to the PRC policies on foreign investment, which mainly are FIL, Implementation Regulations for FIL, Measures on Reporting of Foreign Investment Information, and Announcement of the Ministry of Commerce on Matters Relating to Reporting of Foreign Investment Information etc. Provided always that if there are any preferential opening-up measures set out in the Mainland and Hong Kong Closer Economic Partnership Arrangement and its related agreements, provisions of such arrangement and its related agreements shall prevail.

Based on business licenses of Shanghai Allied Cement Co., Ltd., Shandong Allied Wangchao Cement Limited, Shandong Shanghai Allied Cement Co., Ltd., Zaozhuang Laisheng New Building Materials Co., Ltd., Shanghai Guorui Tongshun Energy Saving, Environmental Protection Technology Development Co., Ltd., Shanghai Guokunsheng Construction Group Co., Ltd. (collectively, "**Real Jade's Companies in PRC**") provided respectively on February 2022 and March 2022 by Shanghai Allied Cement Co., Ltd., the business scopes recorded in the business licenses of Real Jade's Companies in PRC do not fall under the prohibited or restricted categories contained in the Negative List for Market Access (2022 Edition), the Negative List (2021 Edition), nor the Special Administrative Measures (Negative List) for Access of Foreign Investment in Pilot Free Trade Zones (2021 Edition). Therefore, there is no impediment against the foreign shareholders in holding or owning shares of the Real Jade's Companies in PRC.

Policies on repatriation of profits

Subject to FIL, foreign investors may freely remit into or out of PRC, in RMB or any other foreign currency, their capital contributions, profits, capital gains, proceeds from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on within the territory of PRC. Foreign investors shall also comply with the requirements set forth below:-

A. Relevant provisions in PRC Company Law

The PRC Company Law stipulates that companies shall contribute 10% of the profits into their statutory capital reserve upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory capital reserve is more than 50% of its registered capital.

Where the balance of the statutory capital reserve of a company is insufficient to make good its losses in the previous year, the company shall make good such losses using its profits of the current year before making contribution to the statutory capital reserve.

Upon contribution to the statutory capital reserve with its post-tax profits, a company may make further contribution to the capital reserve with its post-tax profits in accordance with a resolution of the board of shareholders or a shareholders' general meeting.

After making up its losses and accrued reserves, a PRC limited liability company may distribute post-tax profits subject to the articles of associations of the company. Pursuant to the articles of associations of Real Jade's Companies in PRC provided by Shanghai Allied Cement Co., Ltd. on April 2022, there are no restrictions on the repatriation of profits to their foreign shareholders provided that it has been approved by the shareholder or the board of directors.

B. Relevant provisions in PRC Tax Laws

Pursuant to PRC Corporate Income Tax ("**CIT**") Law (Amended in 2018), CIT shall be payable by a resident enterprise for income derived from or accrued in or outside PRC. CIT shall also be payable by a non-resident enterprise, for income derived from or accrued in PRC by its office or premises established in PRC, and for income derived from or accrued outside PRC for which the said established office or premises has substantial connection. Where the non-resident enterprise has no office or premises established in PRC or the income derived or accrued has no substantial connection with the office or premises established in the PRC, then the CIT payable by the non-resident enterprise will be for income derived from or accrued in PRC only.

The CIT Law provides that the various sources of income received by an enterprise include income from sale of goods, income from provision of labor services, income from transfer of property, gains from dividends, bonus issues or other returns on equity investment, interest income, rental income, income from royalties, income from gifts and donations and other income.

Policies on taxation

According to the relevant taxation laws and regulations in PRC, FIE are subject to CIT, VAT and other applicable taxes and fees such as urban maintenance and construction tax, education surtax, local education surtax, stamp tax and urban and township land-use tax, etc.

Pursuant to CIT Law, resident enterprises are subject to CIT on their worldwide income and the standard tax rate for resident enterprises shall be 25%. Where non-resident enterprises have no office or premises established in PRC or the income derived or accrued has no substantial connection with the office or premises established, CIT payable by the non-resident enterprises for income derived from or accrued in PRC will be 10%, unless there exist any applicable tax treaties stipulating deduction or exemption of the relevant tax between PRC and the jurisdiction where non-resident enterprise operates.

Entities engaging in sales of goods or processing, repair and assembly services, sales of services, intangible assets, immovable properties and importation of goods in PRC shall be subject to VAT with tax rate from 0% to 17% in accordance with varied taxable conducts.

The specific taxes and tax rates applicable for the FIE shall be subject to the ratification of the relevant local tax authorities according to the actual business operation of the FIE.

According to the tax rate tables of Real Jade's Companies in PRC provided by Shanghai Allied Cement Co., Ltd. respectively on March 2022 and April 2022, specific taxes and tax rates applicable to and payable by Real Jade's Companies in PRC are set as follows:-

A. Shanghai Allied Cement Co., Ltd

Tax Item	Tax Rate	Note
VAT - Sales of goods	13%	-
VAT - Real estate rental	5%	-
VAT - Return of individual income tax service charge and Proceeds from Auction of Licence Plates	6%	-
Education surtax	5%	-
Local education surtax	3%	-
Urban maintenance and construction tax	2%	-
CIT	25%	-
Stamp tax	-	Filed separately according to specific taxable items.
Real estate tax	-	For self-occupied estates, the taxable amount shall be 1.2% of the original value with certain deduction (1-30%). As for the rental properties, the taxable amount shall be 12% of the rental income.
Land use tax	-	Based on actual area and grade of land.
Individual income tax	-	-

B. Shandong Allied Wangchao Cement Limited

Tax Item	Tax Rate	Note
VAT - Sales of goods	13%	-
VAT - Real estate rental	9%	-
VAT - Financial services	6%	-
Urban maintenance and construction tax	7%	-
Education surtax	3%	-
Local education surtax	2%	-
Stamp tax	0.03% - 0.1%	-
CIT	15%	-
Individual income tax	5% - 45%	-
Real estate tax	1.2% for 70% of the original value of the property	-
Land use tax	RMB2.4 per square meter	-
Resources tax	6% for limestone or RMB1.5 per stere for water	-
Environment protection tax	RMB6 per KG or RMB1.2 per KG	Different tax rates per unit shall be applicable based on the emissions.
Vehicle and vessel tax	Machinery wagons (inside the factory)' tonnage*72	Different tax rates per unit shall be applicable based on the emissions of vehicles.
Motor vehicle acquisition tax	10% of purchase price	-

C. Shandong Shanghai Allied Cement Co., Ltd

Tax Item	Tax Rate	Note
VAT - Sales of goods	3%	-
Urban maintenance and construction tax	7%	-
Education surtax	3%	-
Local education surtax	2%	-
Stamp tax	0.03% - 0.1%	-
CIT	25%	-
Individual income tax	5% - 45%	-

D. Zaozhuang Laisheng New Building Materials Co., Ltd

Tax Item	Tax Rate	Note
VAT - Sales of goods	13%	-
Urban maintenance and construction tax	7%	-
Education surtax	3%	-
Local education surtax	2%	-
Stamp tax	0.03% - 0.1%	-
CIT	25%	-
Individual income tax	-	-

E. Shanghai Guorui Tongshun Energy Saving, Environmental Protection Technology Development Co., Ltd

Tax Item	Tax Rate	Note
VAT - Sales of goods, repair and maintenance services	13%	-
VAT - Engineering services, installation services and other construction services	9%	-
VAT - Technical services	6%	-
Education surtax	5%	-
Local education surtax	3%	-
Urban maintenance and construction tax	2%	-
CIT	Enjoy tax benefits for small and micro enterprises	20% CIT rate on 12.5% of the taxable income amount for the portion of annual taxable income not exceeding RMB1 million; or 20% CIT rate on 50% of taxable income amount for the portion of annual taxable income more than RMB1 million but not exceeding RMB3 million.
Stamp tax	-	Filed separately according to specific taxable items.
Individual income tax	-	-

F. Shanghai Guokunsheng Construction Group Co., Ltd.

Tax Item	Tax Rate	Note
VAT - Sales of goods, repair and maintenance services	13%	-
VAT - Engineering services, installation services, decoration services and other construction services	9%	-
VAT - Technical services	6%	-
Education surtax	5%	-
Local education surtax	3%	-
Urban maintenance and construction tax	2%	-
CIT	Enjoy tax benefits for small and micro enterprises	20% CIT rate on 12.5% of the taxable income amount for the portion of annual taxable income not exceeding RMB1 million; or 20% CIT rate on 50% of taxable income amount for the portion of annual taxable income more than RMB1 million but not exceeding RMB3 million.
Stamp tax	-	Filed separately according to specific taxable items.
Individual income tax	-	-

4. RATIONALE FOR THE PROPOSED ACQUISITION

The key financial performance of Mudajaya Group for the past 3 financial years up to the FYE 31 December 2021 are as follows:-

	<-----Audited----->					
	FYE 31 December 2019		FYE 31 December 2020		FYE 31 December 2021	
	RM'000	%	RM'000	%	RM'000	%
Revenue[^]	393,770	100	347,698	100	288,688	100
Construction contracts [^]	258,260	65.6	242,318	69.7	185,282	64.2
Property [^]	21,087	5.4	19,088	5.5	29,084	10.1
Power [^]	50,585	12.8	47,030	13.5	46,522	16.1
Trading & Manufacturing [^]	75,500	19.2	64,262	18.5	58,353	20.2
Adjustment/ Elimination [^]	(11,662)	(3.0)	(25,000)	(7.2)	(30,553)	(10.6)
PAT/ (LAT)[^]	(86,090)	100	(45,276)	100	8,080	100
Construction contracts [^]	2,814	(3.3)	(45,151)	99.7	(6,901)	(85.4)
Property [^]	3,303	(3.8)	6,623	(14.6)	1,828	22.6
Power [^]	(57,630)	66.9	5,762	(12.7)	29,324	362.9
Trading & Manufacturing [^]	436	(0.5)	6,821	(15.1)	4,028	49.9
Others [^]	(30,034)	34.9	(18,743)	41.4	(20,695)	(256.1)
Adjustment/ Elimination [^]	(4,979)	5.8	(588)	1.3	496	6.1

Note:-

[^] Extracted from Mudajaya's Annual Reports

Based on the table above, Mudajaya Group is primarily involved in 4 main business segments. Construction contracts is currently the largest revenue contributor to the Group since 2019, contributing approximately 65.6%, 69.7% and 64.2% to the total revenue during the financial years under review.

Mudajaya Group's financial performance in recent years declined mainly due to lower revenue recorded for the construction segment as a result of a scale down in construction activities and infrastructure development amidst the COVID-19 outbreak. The revenue from the property segment was affected by lower take-up rates while soft market conditions and weak consumer sentiment had continued to prevail in Malaysia's property industry. On the other hand, the Group was able to generate recurring revenue from its power segment via the operations of its two solar power plants in Malaysia despite the competition faced from other power plants and suppliers of other energy sources.

Subsequent to construction contracts, the trading & manufacturing segment remained the second largest revenue contributor to the Group and has been profitable over the financial years under review. The lower revenue contribution in the FYEs 2020 and 2021 was mainly due to lesser sales of precast concrete products, in which the Group has been seeking for other opportunities to grow and expand its trading & manufacturing segment.

The Proposed Acquisition entails the acquisition of the entire equity interest in Real Jade, which through its subsidiaries is principally engaged in the manufacturing, sales and trading of cement in PRC. Real Jade Group's current production capacity is 1,000,000 tonnes per annum and owns a manufacturing license with an expiry date on 30 December 2025. The said license is subject to further renewal which can be applied 6 months prior to expiry.

Pursuant thereto, the Proposed Acquisition represents a horizontal expansion of the Group's trading & manufacturing segment to expand its revenue stream as well as geographical reach outside of Malaysia and inroads into the PRC market. This would enable the Group to attain a wider market presence and marketability of its range of construction materials which can be offered to both local and international customers. Through the Proposed Acquisition, Mudajaya Group would gain regional presence in the PRC's constructions materials industry.

The Proposed Acquisition also represents an expansion into areas of which the Company's management team has experience and expertise in. James Wong Tet Foh, the Group Managing Director of Mudajaya, has garnered experience in a similar business having worked at Lafarge Concrete (M) Sdn Bhd prior to joining Mudajaya; while Lee Eng Leong, the Executive Chairman of Mudajaya, has also held leadership roles in both local and multinational companies in Asia for over 20 years, including PRC.

In addition, the Group may also leverage on Real Jade's energy-efficient heating, ventilation and air-conditioning systems to reduce the power consumption and carbon emissions of its commercial, residential and industrial buildings. This will in return enhance Mudajaya Group's environmental, social and governance practices.

5. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF MUDAJAYA GROUP

5.1 Overview and outlook of PRC economy

According to preliminary estimates, the gross domestic product ("GDP") was 114,367.0 billion yuan in 2021, an increase of 8.1% over the previous year at constant prices with the average two-year growth of 5.1%. By quarter, the GDP for the first quarter went up by 18.3% year-on-year, up by 7.9% for the second quarter, 4.9% for the third quarter and 4.0% for the fourth quarter. By industries, the value added of the primary industry was 8,308.6 billion yuan, up by 7.1% over the previous year, that of the secondary industry was 45,090.4 billion yuan, up by 8.2% and that of the tertiary industry was 60,968.0 billion yuan, up by 8.2%.

The total value added of industrial enterprises above the designated size increased by 9.6% over the previous year, an average two-year growth of 6.1%. In terms of sectors, the value added of mining was up by 5.3 %, that of manufacturing up by 9.8% and that of production and supply of electricity, thermal power, gas and water up by 11.4%. The value added of the high-tech manufacturing and equipment manufacturing went up by 18.2% and 12.9% respectively, or 8.6% points and 3.3% points faster than that of the industrial enterprises above the designated size. By products, the production of new energy vehicles, industrial robots, integrated circuits, and micro computer equipment grew by 145.6%, 44.9%, 33.3%, and 22.3%, respectively.

In 2021, the national industrial capacity utilization rate reached 77.5%, 3.0% points higher than that of the previous year. In the first eleven months, the total profits made by industrial enterprises above the designated size were 7,975.0 billion yuan, up by 38.0% year-on-year with the average two-year growth of 18.9%. The profit rate of the business revenue of industrial enterprises above the designated size was 6.98%, up by 0.9 percentage points year-on-year.

The tertiary industry experienced fast growth in 2021. By industries, the value added of the information transmission, software and information technology services, accommodation and catering services, and transportation, storage and postal services grew by 17.2%, 14.5%, and 12.1% over the previous year respectively, maintaining the restorative growth. In 2021, the total retail sales of consumer goods reached 44,082.3 billion yuan, up by 12.5% over the previous year with the average two-year growth of 3.9%. Grouped by consumption patterns, the retail sales of goods were 39,392.8 billion yuan, up by 11.8%; and the income of catering was 4,689.5 billion yuan, up by 18.6%. The basic living consumption sustained good momentum of growth, with the retail sales of beverages and grain, oil and food by enterprises above the designated size growing by 20.4% and 10.8% over the previous year. The demand for upgraded consumer goods continued to unleash, with the retail sales of gold, silver and jewelry and that of cultural and office supplies by enterprises above the designated size growing by 29.8% and 18.8% respectively. Specifically, the online retail sales of physical goods were 10,804.2 billion yuan, up by 12.0%, accounting for 24.5% of the total retail sales of consumer goods.

In 2021, the investment in fixed assets (excluding rural households) reached 54,454.7 billion yuan, up by 4.9% over the previous year with the average two-year growth of 3.9%. Specifically, the investment in infrastructure went up by 0.4%, manufacturing up by 13.5% and real estate development up by 4.4%. The floor space of commercial buildings sold reached 1,794.33 million square meters, up by 1.9%. The total sales of commercial buildings were 18,193.0 billion yuan, up by 4.8%. By industries, the investment in the primary industry went up by 9.1%; that in the secondary industry up by 11.3%; and that in the tertiary industry up by 2.1%. The private investment was 30,765.9 billion yuan, up by 7.0%, accounting for 56.5 percent of the total investment. The investment in high-tech industries grew by 17.1%, 12.2% points faster than the total investment, of which the investment in high-tech manufacturing and high-tech services grew by 22.2% and 7.9%, respectively.

In terms of high-tech manufacturing, the investment in electronics and communication equipment manufacturing and in manufacturing of computers and office devices grew by 25.8% and 21.1%, respectively. In terms of high-tech services, the investment in e-commerce services and services for transformation of scientific and technological achievements grew by 60.3% and 16.0%, respectively. The investment in social sector went up by 10.7% over the previous year. Specifically, the investment in health sector and in education sector went up by 24.5% and 11.7% respectively.

Generally speaking, in 2021, China sustained the continuous and steady recovery of the national economy and maintained the leading position in economic growth and epidemic prevention and control in the world, with major indicators reaching the expected targets.

(Source: National Economy Continued to Recover with Expected Development Targets Well Achieved in 2021, National Bureau of Statistics of China)

5.2 Overview and outlook of property industry in PRC

In China, the property market is represented by real estate development and sales in the country. The property market in China emerged from 2021 on a stronger footing on the back of an increase in investment and construction activities for residential buildings despite the property market squeeze that sparked the first in a wave of defaults by property developers. The national investment in real estate development increased 4.4% from 14.14 trillion yuan in 2020 to 14.76 trillion yuan in 2021. Investment in real estate development in the eastern region of China where Shandong Province belongs also increased 4.2% from 7.46 trillion yuan in 2020 to 7.77 trillion yuan in 2021.

Residential property is the most important sub-sector in the Chinese property market. The majority of the investment in real estate development in the country in 2021 was for residential buildings which accounted for 11.12 trillion yuan (2020: 10.44 trillion yuan) or 75.3% (2020: 73.8%) of national investment in real estate development. Similarly in the eastern region of China, investment in residential buildings in 2021 accounted for 5.66 trillion yuan (2020: 5.36 trillion) or 72.9% (2020: 71.9%) of the region's investment in real estate development.

In 2021, the total construction area of real estate development enterprises was 9.75 billion square metres, an increase of 5.2% over 9.27 billion square metres registered in 2020. The construction area for residential buildings in China accounted for 6.90 billion square metres (2020: 6.56 billion square metres) or 70.8% (2020: 70.7%). However, the land purchase area of real estate development enterprises dropped 15.5% from 255.4 million square metres in 2020 to 215.9 million square metres in 2021.

Thus far in the first 8 months of 2022, the property market in China had been grappling with deepening crisis with key indicators across the market in the negative territory. The national investment in real estate development (including for residential buildings) had declined when compared to the performance registered over the same period last year. This had also resulted in the drop in real estate construction activities. The total construction area of real estate development enterprises had also declined when compared to the performance registered over the same period last year. The housing market in China has been hampered by a funding crisis that has led to the pausing of some developments and homebuyers refusing to pay their mortgages under the belief that the funds that they have paid in advance under the 'presale system' to the builders of property developments have been misused. Offshore financing is also off the table for many property developers given the elevated borrowing costs while global agencies have been pulling their ratings on property bonds issued by Chinese property developers. The introduction of the '3 red lines' regulation by the Chinese Government in 2020 which had led to the tightening of credit conditions has also pushed many property developers in the country into a stressed position, with some even defaulting.

In order to address the property crisis, the Chinese Government has been rolling out more relaxation measures such as allowing bigger reduction in home prices, cutting of minimum down payment ratio, allowing parents to fund their children's home purchases by drawing on their own housing provident funds and helping to repay their mortgages and providing home buying subsidies. However, these measures are not expected to revive home sales anytime soon as the prospects of more lockdowns weigh on demand while the negative sentiment shocks are unlikely to abate soon. As such, the property market and real estate construction activities are expected to remain depressed for at least in the near future before staging a recovery and getting out of a slump thereafter. Protégé Associates has projected the national investment in real estate development to return to the current level (in 2021) by 2024 and reach 16.0 trillion yuan in 2026. Real estate construction activities in China are also expected to mirror the performance of the property market in the country during the forecast period.

The growth of the property market in China during the forecast period is expected to be largely driven by the following factors:-

- Continuing supporting measures taken by the Chinese Government

Given that the property market and construction industry are key engines of economic growth in China, the Chinese Government has always been closely keeping an eye on the development in the property market and construction industry. The Chinese Government is expected to continue to roll out more stimulus measures to address the crisis faced by the property market. It also helps that the Chinese Government has various intervention tools at its disposal to support the property market such as cutting the interest rates and reducing the amount banks must hold as reserves.

- The sizeable and growing population in China

China has a very huge population of more than 1 billion persons and it is also continuing to grow albeit at a very slow pace. The population in China (including population of 31 provinces, autonomous regions and municipalities and servicemen, but excluding residents of Hong Kong, Macao and Taiwan and foreigners living in the 31 provinces, autonomous regions and municipalities) stood at 1.41 billion persons by the end of 2021 – an increase of 0.48 million persons registered at the end of 2020. This represents a very sizeable pool of potential demand for housing that can drive investment into residential buildings development.

(Source: Independent Market Researcher Report by Protégé Associates Sdn Bhd)

5.3 Overview and outlook of construction industry in PRC

China's central and local governments are expediting the rollout of major infrastructure projects as the country faces growing downward economic pressure, with the country's top economic planning agency announcing that it will moderately front-load infrastructure investment and steadily push forward the 102 mega projects earmarked for the 14th Five-Year Plan period (2021-25) to achieve concrete results.

Analysts noted that the combined measures could result in a robust growth in fixed-asset investment, a major economic growth driver, for the January-March quarter and would give a much-needed boost for the economy, which grew 8.1% in 2021 but faces downward pressure from shrinking demand, supply chain disruptions and weakening expectations.

Yuan Da, a spokesperson for the National Development and Reform Commission (NDRC), said in light of more uncertainties in the first quarter, policy will be "upfronted" accordingly for the earlier materialization of intended effects. China will appropriately advance the deployment of infrastructure and steadily push forward construction of 102 mega projects that were already spelled out in the country's 14th Five-Year Plan, Yuan said, noting the efforts are aimed at generating more concrete results in the first quarter. Supportive work will include a detailed list of projects, measurable appraisal system, and support in the use of land, energy and funding. Some of the mega projects are roads, railways, public transit systems, airports, nuclear power plants, power transmission lines and pipelines.

Yao Jingyuan, special researcher of the Counsellors' Office of the State Council, the cabinet, commented that the measures will be effective in addressing contracting domestic demand and sluggish consumption growth, the two major weak points in the Chinese economy at the moment. Pointing to near-flat infrastructure investment for 2021, at a mere 0.4% annual growth rate, Yao said that "this is a sector that the government could spur, and boosting this area will help combat sluggish domestic demand. External demand at the moment seems to be quite strong, as shown by the export figures".

Ning Jizhe, head of the National Bureau of Statistics, also noted that there is great potential for infrastructure investment in China compared with developed nations. Continuous expansion in effective investment is still needed in the effort to achieve high-quality growth and build a modern socialist power, Ning concluded. Localities took the cue from central authorities and are moving swiftly.

Economic planners in Shanghai, China's economic powerhouse, announced five specific policies aimed at speeding up major projects, while disclosing the municipality's annual plan to boost effective investment and stabilize the economy. The municipality said it will appropriately advance infrastructure investment and accelerate projects ranging from shipping and public transit to water conservation and sewage systems. Shanghai also said it will tap into major projects listed in the 14th Five-Year Plan period (2021-25).

On the same day, the Lingang New Area in Shanghai's Pilot Free Trade Zone announced that it is eyeing fixed-asset investment totaling 120 billion yuan (\$18.89 billion) for 2022, roughly a 20% increase from 2021. Shanghai is not alone. A report by the Securities Times on January 11 said that 3 trillion yuan worth of infrastructure projects have been announced by 11 localities including South China's Guangdong, East China's Jiangsu and Central China's Henan provinces.

Lian Ping, head of the Zhixin Investment Research Institute, commented that infrastructure investment, which will see an estimated 5% growth from a flat performance in 2021, will be the top highlight for the first quarter. The infrastructure boom will be further boosted by approximately 1 trillion yuan worth of special-purpose local bonds that were put on hold by local governments in the final months of 2021.

Infrastructure, along with real estate and manufacturing, forms the bulk of investment. Lian predicted that there will be a second wave, or even a third wave, of infrastructure projects later in the year. Combining last year's leftover allocations and what's been allocated for the new year, local governments' special-purpose bonds in 2022 in real terms will be double the amount of 2021, Lian said.

The Ministry of Finance has allocated 1.46 trillion yuan from its 2022 quota for local governments' special-purpose bonds, as the country seeks to boost local infrastructure investment and steady economic growth for the upcoming year.

(Source: News article entitled "China moves swiftly to expedite infrastructure projects amid pressure on economy", 18 January 2022, <https://www.globaltimes.cn>)

5.4 Overview and outlook of cement industry in PRC

In China, the country is the dominant producer and consumer of cement in the world. The cement market in China is very sizeable with cement output exceeding more than 1 billion tons. The cement output in China for 2021 stood at 2.38 billion tons which was lower than the 2.40 billion tons registered in 2020 but higher than the 2.35 billion tons registered in 2019. The cement market in China was affected by energy consumption control, control of electricity consumption and production as well as rising coal prices. However, the impact was cushioned by the increase of investment in real estate development spurred by demand for residential properties.

On a closer look, Shandong Province is one of the prominent regions for cement market. In 2020, total output value of construction in Shandong Province stood at 1.49 trillion yuan (2019: 1.43 trillion yuan), making the province one of the country's top 10 regions by total output value of construction. Hence, Shandong Province is one of the key regional markets in China for cement.

The cement production capacity of industrial enterprises above designated size (all industrial enterprises with revenue from principal business above 20 million yuan) in China expanded 2.2% from 3.32 billion tons in 2019 to 3.40 billion tons in 2020. Notable cement market players in China include Anhui Conch Cement Company Limited, China National Building Material Company Limited, Tangshan Jidong Cement Co., Ltd, Huaxin Cement Co., Ltd and China Resources Cement Holdings Limited; all of which are public listed companies. In terms of external trade, China remained a net importer of cement by value (based on Harmonised System ("HS") Code 2523 that represents Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers) in 2021. In 2021, China exported USD181.1 million (2020: USD220.4 million; 2019: USD347.1 million) worth of cement (under HS Code 2523), imported USD1.62 billion (2020: USD1.52 billion; 2019: USD1.16 billion) worth of cement (under HS Code 2523) and re-imported USD33,445 worth of cement (under HS Code 2523) (2020: USD0; 2019: USD1.1 million).

The cement market in China has been subjected to close scrutiny from the Chinese Government. Efforts have been made by the Chinese Government in recent years to continually reduce cement production capacity in the country in order to cut carbon emissions from the cement market, cut excess capacity as well as discourage and eliminate outdated production capacity. The addition of new cement capacity has been limited by the Chinese Government. Newly constructed, reconstruction and expansion projects for cement facility are required by the Chinese Government to meet high standard for energy consumption limits and ultra-low pollutant emissions levels and to implement regular off-peak production. A restraint mechanism to curb the expansion of excess capacity by means of carbon emissions, pollutant emissions, and total energy consumption is also required to be researched and established for these projects. The Chinese Government has also been pushing for the increase in capacity replacement ratio of cement projects where cement producers need to retire 1.5 tons of outdated capacity for every ton of new capacity in non-environmentally sensitive areas, compared to 1.25 tons previously. Production lines of cement which had suspended production for 2 consecutive years or more are not allowed to be used as capacity replacement.

Moving forward, the production capacities and production of cement in China are expected to be maintained at the current level (in 2021) or lower. This is largely due to the targets set by the Chinese Government under its 'Fourteenth 5-Year Plan' (covering the period 2021 to 2025). Under the plan, the Chinese Government has set targets that the production capacities of bulk products of key raw materials such as cement will only decrease and shall not increase, the capacity utilisation rate will remain at a reasonable level, and the industrial concentration in key scopes will be further increased. Nonetheless, positive development in the cement market in China during the forecast period is expected to be largely driven by the following factors:-

- Favourable government measures in supporting real estate development and driving infrastructure spending

Given that the real estate development and infrastructure markets are key end-users of cement, the cement market in China stands to benefit from favourable government measures that can support both these markets. The Chinese Government has been actively taking various measures in helping to address the property crisis in the country. These measures include the cutting of minimum down payment ratio, allowing parents to fund their children's home purchases by drawing on their own housing provident funds and helping to repay their mortgages as well as allowing bigger reductions in home prices.

In addition, the Chinese Government had already announced an additional 300 billion yuan in quotas for infrastructure spending and investment by banks in August 2022 – on top of the 300 billion yuan already announced in June 2022.

- The cement market steering towards sustainability path

The cement market in China is increasingly focusing on reducing emissions and reducing the amount of non-renewable energy required to run cement plants. Older cement plants that consume a lot of energy, produce high amount of emissions and have low production efficiency are expected to be phased out or replaced with modern cement plants that use equipment with ultra-low emission and consume alternative energy sources. There are expected to be more cement kilns in China that can co-process municipal waste. The municipal waste can be co-processed using an offline system involving a gasifier and a precalciner (a direct combustion solid-gas heat exchange cement equipment) to obtain the heat source for the kiln system or an online system that directly feeds the raw waste into a precalciner for combustion.

Various policies and measures related to the cement industry had also been issued by the Chinese Government to actively promote carbon emissions reduction, pollution reduction and energy savings, improve and tighten capacity replacement policies, promote regular off-peak production and advance the rationalisation of industrial structure. Research and development of new technologies for highly effective, low-carbon and energy-saving cement are also actively being promoted by the Chinese Government. This shift in trend can put the Chinese cement industry in a better light by propelling a green transformation and push towards a sustainable development moving forward.

(Source: Independent Market Researcher Report by Protégé Associates Sdn Bhd)

5.5 Overview and outlook of Malaysian economy

The Malaysian economy grew by 5.0% in the first quarter of 2022 (4Q 2021: 3.6%) (2020: -5.6%) (2021: 3.1%). Growth was supported mainly by higher domestic demand as economic activity continued to normalise with the easing of containment measures. The improvement also reflects the recovery in the labour market and continued policy support. In addition, strong external demand, amid the continued upcycle in global technology, provided a further lift to growth. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered an increase of 3.9% (4Q 2021: 4.6%).

Domestic demand expanded by 4.4% (4Q 2021: 1.9%). Growth was supported by higher consumption and improvement in investment activities amid the normalisation of economic activity. On the external front, demand for Malaysia's exports, particularly for electrical and electronic ("E&E") products, remained strong.

Private consumption grew at a faster pace of 5.5% (4Q 2021: 3.7%), supported by higher spending on necessities and selected discretionary items such as restaurants and hotels, recreational services and household furnishings. The continued strength in consumer expenditure was primarily driven by the recovery in the labour market with higher wage and employment growth. Policy measures, such as Bantuan Keluarga Malaysia, also provided additional support to consumer spending.

Private investment turned around to register a positive growth of 0.4% (4Q 2021: -2.8%), supported by capital spending in the services and manufacturing sectors. Investments in ICT-related equipment and machinery for manufacturing remained robust, as firms continued to embrace automation and digitalisation. Structures investment registered a smaller contraction, mainly supported by the non-residential segment. This reflects the gradual ramp-up of investment projects amid the reopening of the economy. Public investment declined at a smaller pace (-0.9%; 4Q 2021: -3.4%), underpinned by the improvement in General Government's fixed assets spending.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2022, Bank Negara Malaysia)

The Malaysian economy is expected to improve further, with growth projected to be between 5.3% and 6.3% in 2022. The economic recovery is underpinned by the continued expansion in external demand, full upliftment of containment measures, reopening of international borders, and further improvement in labour market conditions. In addition, the implementation of investment projects and targeted policy measures will provide further support to economic activity and aggregate demand.

(Source: Economic and Monetary Review 2021, Bank Negara Malaysia)

5.6 Overview and outlook of construction industry in Malaysia

The construction sector registered a strong growth of 8.3% in the first half of 2021, supported by an improvement in specialised construction activities, non-residential buildings and residential buildings subsectors. The better performance was also attributed to the low base effect following a significant drop in construction works during the corresponding period last year. However, the civil engineering subsector contracted due to the temporary suspension of infrastructure projects following stringent COVID-19 virus containment measures.

In contrast, the sector is forecast to decline by 8.4% in the second half of the year, weighed down by civil engineering, non-residential buildings and residential building subsectors, despite the resumption of construction activities. Nevertheless, the decline is being cushioned by a rebound in the specialised construction activities subsector. Overall, the sector is expected to record a marginal contraction of 0.8% during the year compared to a double-digit decline in 2020.

The national property market for residential and non-residential segments was affected by the COVID-19 pandemic. As for the residential segment, the impact was reflected by the decreasing number of incoming supply units. In addition, the house price index for Malaysia registered an unprecedented negative growth in the second quarter of 2021. Similarly, the non-residential segment recorded a decline in its occupancy rate for both retail and office spaces.

The real estate and business services subsector is projected to rebound by 8.6%, mainly driven by business services provided particularly to property and financial-related activities. Furthermore, business services related to legal and consultation are expected to increase with vibrant activities in the construction sector. In addition, flexible leasing by shopping mall operators to ease rental commitments will assist in attracting new tenants while maintaining current occupancy.

The construction sector is projected to turn around by 11.5% in 2022 on account of better performance in all its subsectors. The civil engineering subsector is anticipated to regain its positive growth, following the continuation and acceleration of major infrastructure projects, such as Light Rail Transit Line 3 (LRT3), Mass Rail Transit Line 3 (MRT3), Johor-Singapore Rapid Transit System (RTS) as well as the Pan Borneo highways in Sabah and Sarawak. Utility projects, including Baleh Hydroelectric, Sarawak Water Supply Grid Programme and Large-Scale Solar 3 plant, are also projected to spur growth. Similarly, the residential buildings subsector is expected to expand further in line with the Government's measures to address the shortage of affordable houses.

The measures, among others, are the continuation of the Rent-to-Own scheme and full stamp duty exemptions for first-time home buyers as well as Rumah Mesra Rakyat and People's Housing programmes. In addition, the non-residential buildings subsector is anticipated to improve, backed by ongoing commercial projects, namely Kwasa Damansara, Tun Razak Exchange and KLIA Aeropolis.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

5.7 Overview and outlook of cement industry in Malaysia

Cement refers to a very fine powdery binding agent (usually made up of substances such as limestone and clay) that sets and hardens to adhere to other materials predominantly used for building and civil engineering construction. Cement mixed with sand or crushed stone (that is less than approximately 5 millimetres in size) produces mortar that is used for binding bricks, blocks and stones in walls, or as surface rendering. A mixture of cement, sand or other fine aggregate and a coarse aggregate produces concrete that is used for a large variety of constructional purposes. Cement can be either non-hydraulic (does not set in wet conditions or under water) or hydraulic (set and become adhesive in wet conditions or under water). The commonly used cement today for construction is a type of hydraulic cement known as Portland cement which is made from raw materials such as limestone, clay, sand and iron ore. Contractors, ready-mixed concrete manufacturers and precast concrete manufacturers are the major end-users of cement. Small-scale contractors and home owners may also use a smaller quantity of cement for minor construction or renovation works.

In Malaysia, its cement market rebounded from a downturn year in 2020 that saw very harsh and strict lockdown measures imposed including labour and operating capacity restrictions leading to disruption in economic activities that included manufacturing, construction and mining activities. In 2021, the cement market in Malaysia managed to register a better performance in tandem with the easing of lockdown measures and resumption of more economic activities. The sales value from the manufacture of hydraulic cement in Malaysia increased 12.2% from RM8.47 billion in 2020 to RM8.95 billion in 2021. Cement is also one of the key building materials widely used in the construction industry in Malaysia. The value of sales derived from the manufacture of precast concrete, cement or artificial stone articles for use in construction also improved 6.0% from RM13.26 billion in 2020 to RM14.06 billion in 2021 as more construction activities resumed.

In terms of production, total cement produced in Malaysia increased marginally from 19.9 million tonnes in 2020 to 20.0 million tonnes in 2021. The majority of cement production plants in Malaysia are concentrated in the Peninsular Malaysia. As of 30 June 2021, the largest cement manufacturer in Malaysia was Malayan Cement Berhad. At that time, the company has 5 integrated cement plants, i.e. those involved in the production of both clinker (an intermediary product produced in the manufacture of Portland cement) and cement, located at Langkawi in Kedah, Kanthan and Padang Rengas in Perak, Bukit Sagu in Pahang and Rawang in Selangor. Malaysia remained a net exporter of cement (under HS Code 2523) in 2021. In 2021, Malaysia exported 2.37 billion kilogrammes ("kg") of cement (under HS Code 2523) valued at United States dollar ("USD") 132.2 million (2020: 1.63 billion kg of cement (under HS Code 2523) valued at USD82.4 million) and imported 1.10 billion kg of cement (under HS Code 2523) valued at USD79.9 million (2020: 1.18 billion kg of cement (under HS Code 2523) valued at USD75.9 million).

Moving forward, the cement market is expected to register an overall positive performance during the forecast period from 2022 to 2026. Protégé Associates has projected that the annual sales value from the manufacture of hydraulic cement in Malaysia is expected to increase from RM8.95 billion in 2021 to RM11.86 billion in 2026, registering a compound annual growth rate of 5.8%. The growth of the cement market in Malaysia during the forecast period is expected to be largely driven by the following factors:-

- The expected expansion in the Malaysian construction industry

As the Malaysian construction industry is a key end-user of cement, any positive development in the former will likely to bode well for the growth of the cement market in Malaysia. The Malaysian construction industry is forecast to expand from RM50.77 billion in 2021 to RM70.82 billion in 2026, registering a compound annual growth rate ("**CAGR**") of 6.9%. Growth within the industry is expected to be supported by building and infrastructure construction activities that include the ongoing or upcoming mega projects such as the East Coast Rail Link, Johor Bahru-Singapore Rail Transit System, Klang Valley Double Track and Pan Borneo Highway. At the same time, the various affordable housing schemes are also expected to provide impetus for growth during the forecast period.

On a closer look at the construction industry, the Malaysian Government is also committed in supporting the development of the Malaysian real estate construction market as well as the Malaysian civil engineering and specialised trade works market. In Budget 2022, the Malaysian Government has continued to step up efforts in ensuring that the 'rakyat' can own a house.

Some of the initiatives and measures related to helping the population own a home in Budget 2022 include removing the Real Property Gains Tax on disposals made from the sixth year onwards, the Project Perumahan Rakyat (11,800 apartment units), Program Rumah Mesra Rakyat (3,000 house units), Program Perumahan Penjawat Awam, Program Bantuan Rumah, Program Penyelenggaraan Perumahan dan Tabung Penyelenggaraan Perumahan Malaysia, as well as the Skim Jaminan Kredit Perumahan. The Malaysian real estate construction market is forecast to expand from RM22.92 billion in 2022 to RM29.03 billion in 2026, registering a CAGR of 4.8%.

In the Malaysian civil engineering and specialised trade works market, a sizeable portion of the development expenditure allocation under Budget 2022 has been channelled towards bridging urban-rural infrastructure gap, enhancing the living standards of the people and promoting economic recovery and development. Some of the infrastructure-related projects under Budget 2022 include rural and inter-village road projects and rural and alternative water supply, as well as continuing national infrastructure projects such as the Pan Borneo Highway, the Central Spine Road and the Rantau Panjang Floodwall. The market is forecast to expand from RM27.85 billion in 2021 to RM41.79 billion in 2026, registering a CAGR of 8.5%.

- The availability of key industrial minerals in Malaysia to support production

Key raw materials required in the production of cement include industrial minerals such as limestone, clay and silica sand are found and produced in Malaysia. In 2019, Malaysia's production of limestone, clay and silica sand stood at 24.2 million tonnes, 9.2 million tonnes and 4.7 million tonnes respectively. As such, the cement market in Malaysia can look forward to a steady supply of raw materials locally to drive their cement production.

(Source: Independent Market Researcher Report by Protégé Associates Sdn Bhd)

5.8 Prospects of Real Jade and the enlarged Mudajaya Group

The Proposed Acquisition entails the acquisition by Mudajaya of the entire equity interest in Real Jade, which through its subsidiaries, is principally engaged in the manufacturing, sales and trading of cement in the PRC. The Proposed Acquisition represents an expansion of Mudajaya Group's trading & manufacturing segment, which will allow the Group to expand its revenue stream and also business operations into the PRC.

At this juncture, Mudajaya Group's trading & manufacturing operations are predominantly based in Malaysia. The Proposed Acquisition represents a strategy to expand the geographical and customer coverage footprint of the Group to include the PRC market, which bodes well with the objective to capture growth opportunities in foreign markets. After the Proposed Acquisition, Mudajaya Group would gain the exposure in entering the PRC market to carry out trading & manufacturing of construction materials through its full ownership in Real Jade Group, thereby expanding its geographical and market presence abroad.

Further, Mudajaya Group may also explore potential opportunities to supply construction materials to Real Jade's customers who has construction projects in Malaysia, thereby increasing its business volume in the local market. The implementation of this business plan would not require significant financial commitment by Mudajaya to Real Jade Group, whilst in turn, through the Proposed Acquisition, the Board envisages that the Group could establish working relationship with Real Jade and to leverage on the existing advantages, resources and networking to grow and expand its trading & manufacturing operations.

The Proposed Acquisition enables Mudajaya Group to obtain a control in Real Jade, which would accord the Group with greater flexibility to plan and implement longer term strategies for Real Jade Group in realising its long-term growth potential, including amongst others, to increase its market share in the PRC.

The management of Mudajaya is also of the view that the construction industry in Malaysia and PRC is projected to rebound following the continuation and acceleration of major infrastructure projects, such as LRT3, MRT3, RTS and the Pan Borneo highways in Malaysia, as well as the 102 mega projects earmarked for the 14th Five-Year Plan period (2021-25) in the PRC as set out in **Section 5.6** of this Circular. This opens opportunities for Mudajaya Group through Real Jade to increase its sales and market presence in both Malaysia and PRC.

Barring any unforeseen circumstances, the Board, after having considered the abovementioned prospects, is optimistic that the Proposed Acquisition may facilitate long-term growth potential as well as potentially improve the financial performance of Mudajaya Group moving forward.

(Source: Management of Mudajaya)

6. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION

Real Jade is subject to risks inherent in the construction industry, of which Mudajaya Group is also subject to the similar known business and industry risks. Therefore, such risks factors associated with the Proposed Acquisition are already known and mitigating measures would have already been implemented and will continuously be implemented given Mudajaya Group's experience in the construction sector.

Nevertheless, the other potential risks that may have an impact on Mudajaya Group, which may not be exhaustive pertaining to the Proposed Acquisition, are set out below:-

6.1. Political, economic and regulatory risks

Mudajaya Group will be susceptible to changes in the political, economic and regulatory conditions of BVI, Hong Kong and PRC where the Real Jade Group operates in. Therefore, changes in the political, economic and regulatory conditions in these countries could adversely affect the financial or prospects of Mudajaya Group.

These include, but not limited to, expropriation, nationalisation, changes in general economic, business or credit conditions, political or social development and changes in government policy such as changes in interest rates, inflation rate, taxation and currency exchange controls. The Board shall continuously monitor the changing environment so as to respond and adapt to any change in the political, economic and regulatory conditions accordingly, as and when they arise in the future.

6.2. Acquisition risk

The Proposed Acquisition is expected to contribute positively to the future performance of the enlarged Group. However, there is no assurance that the anticipated benefits will be realised after its completion and the enlarged Group will be able to generate sufficient revenue or earnings to offset the associated costs arising from the Proposed Acquisition.

Notwithstanding the foregoing, the Board will constantly monitor the progress and performance of Real Jade Group and to leverage on its management expertise to properly manage the operations. Additionally, the Board will also continue to exercise due care and take appropriate measures such as, amongst others, identify and evaluate the risk in planning the successful integration of Real Jade Group with its existing business operations.

6.3. Non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to, amongst others, the fulfillment of the conditions precedent as disclosed in **Appendix I** of this Circular. In the event any of the conditions precedent are not fulfilled or not waived, the Proposed Acquisition may not proceed to completion, which may result in the failure of the Group to achieve the objectives and benefits of the Proposed Acquisition.

Notwithstanding that, the Board and management of the Company shall use their best endeavours to ensure every effort is taken to procure all necessary approvals to satisfy the conditions precedent within the stipulated timeframe.

6.4. Dependence on key personnel

The future success of Real Jade will to an extent depend upon its ability to attract and retain certain of its key personnel. The loss of these key personnel may have an unfavourable and material impact on the performance of Mudajaya Group as the continued success of the business is considerably dependent on the combined efforts of key personnel team of Real Jade with the key management and directors of Mudajaya.

It is in the intention of Mudajaya to retain the core management team to maintain leadership continuity to drive the business. Recognising the importance of the key management personnel involved, the Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and retain their services. In addition, the Group will also identify high-performing senior management and/ or employees to take on additional responsibilities and provide appropriate remuneration packages to retain their services in an effort to mitigate dependency on key management personnel.

However, there is no assurance that the loss of any such key management personnel, high-performing senior management and/ or employees will not adversely affect the success of the trading & manufacturing segment.

6.5. Cash flow and financing risk

The ability to finance Real Jade Group's commitments and future developments depends upon:-

- the performance of its business operations, subject to a combination of factors including sales generated, raw material prices, fiscal regime and operating costs, many of which are not within the control of the Board; and/ or
- the availability of finance from the debt and equity capital markets.

In the event that sufficient funds from future operations or external finance is not available to the business, it could have an adverse effect on Real Jade Group's financial condition and its ability to conduct operations. This in turn may limit the Board's ability to execute planned developments for Real Jade Group. Nevertheless, the Board has endeavored to operate Real Jade in a prudent manner with some key contracts in place only payable upon receipt of revenue, thus maintaining a positive cash flow position and mitigating the risk of market fluctuations.

Real Jade Group's customer base primarily comprised construction companies and real estate developers located in the PRC. At this juncture, the management will focus on improving the delivery time and customer satisfaction to maintain its market presence in the property and construction industries, while exploring suitable opportunities to expand its customer base and diversify its product offerings. The management would also embark on cost cutting measures, such as prudent cash flow management, optimisation of current human resources and enhancement of management expertise to refine the operational efficiency of Real Jade Group.

6.6. Environmental risk

The construction industry is subject to the laws and regulations relating to environmental and safety matters in the mining and production of construction materials. The laws and regulations require that production plants be operated, maintained and decommissioned to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Further, the discharge of nitrogen oxides, sulfur dioxide and particulate matter or other pollutants into the air, soil or water may give rise to liabilities and may require the Group to incur costs to remedy such discharge. There is no assurance that environmental laws and regulations will not in the future result in a curtailment of production or a material increase in the costs of production or development activities which will adversely affect the results of operations of the Real Jade's production plants.

Further, the cement manufacturing process is technology intensive. The preparation of cement includes mining, crushing, and grinding of raw materials as well as the burning of the materials in a kiln to produce the end product. The cement production technologies in use may cause extensive power consumption, gas emissions, noise pollution, environmental heating and emissions of toxic pollutants. These are the major sources of environmental pollution in the cement industry, coupled with resources depletion due to raw material extraction.

The Board, together with the management of Real Jade, will ensure that reasonable measures are taken, such as maintaining constant communication with the relevant authorities to keep abreast of potential issues to limit impact of such risks. Real Jade shall continue to adopt the latest technology in the industry to reduce the emission of toxic pollutants together with constant efforts undertaken to research new types of cements which are more environmentally friendly.

6.7. Foreign currency risk

The reporting currency of Real Jade are in HKD, whilst the reporting currency of Mudajaya is in RM. For reporting purposes, any adverse changes in HKD may result in foreign currency translation differences. No assurance can be given that any future significant exchange rate fluctuations or changes in foreign exchange control regulations will not have a material adverse impact on the Group's operating results and financial conditions.

The Board will continue to monitor the Group's foreign currency exposures and will take the necessary steps to minimise exchange rate exposures whenever deemed appropriate, for example, implementing a hedging policy.

7. EFFECTS OF THE PROPOSED ACQUISITION

7.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition does not have any effect on the issued share capital and the substantial shareholders' shareholdings of Mudajaya as the Proposed Acquisition does not involve any issuance of new shares.

7.2 NA per share and gearing

Based on the audited consolidated financial statements of the Group as at 31 December 2021 and on the assumption that the Proposed Acquisition had been effected on that date, the pro forma effects of the Proposed Acquisition on the consolidated NA per share and gearing of Mudajaya Group are as follows:-

	Audited as at 31 December 2021 RM'000	After the Proposed Acquisition RM'000
Share capital	502,054	502,054
Warrant reserve	38,426	38,426
Foreign currency translation reserve	2,095	2,095
Accumulated losses	(280,280)	(282,980) ^{*1}
Shareholders' equity/ NA	262,295	259,595
Non-controlling interests	31,907	273,253
Total equity	294,202	532,848
No. of shares in issue (excluding treasury shares) ('000)	1,297,724	1,297,724
NA per share (RM)	0.20	0.20
Total borrowings (RM'000)	480,743	592,927 ^{*2}
Gearing ratio (times)	1.83	2.28

Notes:-

^{*1} After deducting estimated expenses of RM2.70 million in relation to the Proposed Acquisition

^{*2} After consolidating the total bank borrowings of Real Jade of RM112.18 million based on its latest audited financial statements for the FYE 31 December 2021

7.3 Earnings and EPS

Assuming that the Proposed Acquisition had been completed on 1 January 2021, being the beginning of the FYE 31 December 2021, the pro forma effects of the Proposed Acquisition on the earnings and EPS of Mudajaya Group are as follows:-

	Audited FYE 31 December 2021 RM'000	After the Proposed Acquisition RM'000
PAT attributable to shareholders	6,420	6,420
Less: LAT attributable to owners of Real Jade	-	(25,733)
Less: Estimated expenses and potential finance cost	-	(8,280) ^{*1}
Total PAT/ (LAT)	6,420	(27,593)
Total number of Shares in issue ('000)	1,297,724	1,297,724
EPS/ (LPS) (sen)	0.49	(2.13)

Note:-

^{*1} After deducting estimated expenses of RM2.70 million and potential finance cost of RM5.58 million per annum arising from the vendor financing

Notwithstanding the above, the impact of the Proposed Acquisition on the earnings and EPS of the Group moving forward will depend on the future earnings generated from Real Jade Group.

8. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable for the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 1,081.56%, calculated based on the net profit attributable to the owners of Real Jade as at 31 December 2020, over the net profit attributable to the owners of Mudajaya as at 31 December 2021. Hence, the Proposed Acquisition is deemed as a very substantial transaction under the Listing Requirements.

For the avoidance of doubt, the Proposed Acquisition will not result in a significant change in the business direction or policy of Mudajaya Group premised on the following:-

- Real Jade Group is in a business similar to the core business of Mudajaya Group as both are involved in the trading & manufacturing of construction materials and closely related raw materials (i.e. cements and concretes)^{*1};
- the Proposed Acquisition will not result in a change in the controlling shareholder of Mudajaya;
- the Proposed Acquisition will not result in a change in the Board of Mudajaya^{*2};
- the Proposed Acquisition is not an acquisition of assets by a corporation classified as a cash company by Bursa Securities under Chapter 8 of the Listing Requirements to regularise its condition;
- the Proposed Acquisition does not involve the transfer of Mudajaya's listing status and introduction of new assets to the other corporation; or
- the Proposed Acquisition is not a qualifying acquisition by a special purpose acquisition company (SPAC).

Notes:-

*1 A breakdown of the products under the trading & manufacturing segment of Mudajaya Group for the past 3 financial years up to the FYE 31 December 2021 is as follows:-

	FYE 31 December 2019	FYE 31 December 2020	FYE 31 December 2021
Revenue contribution			
Precast concrete products	46%	43%	44%
Steel products	23%	31%	40%
Ready-mixed concrete	18%	14%	11%
Others	13%	12%	5%
PAT contribution			
Precast concrete products	(32)%	90%	89%
Steel products	48%	4%	6%
Ready-mixed concrete	38%	3%	2%
Others	46%	3%	3%

The sales of precast concrete products recorded a loss for the FYE 31 December 2019 due to the delayed delivery of completed products to construction projects that were under review by the previous government soon after the 14th Malaysian general election.

For shareholders information, cement and clinkers are greatly used to manufacture the Group's precast concrete products and ready-mixed concretes. Apart from this, cement and its closely related raw materials are also widely used in the Group's construction segment as an essential raw material

*2 "Change in the Board" shall have the meaning prescribed in the Equity Guidelines issued by the Securities Commission Malaysia which means a change within a 12-month period from the date of the acquisition in:-

- (i) at least one-half of the membership of the Board; or
- (ii) at least one-third of the membership of the Board, including the chief executive

9. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained:-

- (i) Shareholders of Mudajaya, at the EGM; and
- (ii) Any other relevant authority or party, if required.

The Proposed Acquisition is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company. Save for the Proposed Acquisition, the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders, chief executives of Mudajaya and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition.

11. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Acquisition, including but not limited to the terms of the SSPA, the rationale and justification for the Proposed Acquisition, the outlook of the construction industry in PRC, the prospects of Real Jade, and the financial effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company and accordingly recommend you to vote **IN FAVOUR** of the resolution in respect of the Proposed Acquisition to be tabled at the EGM.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Acquisition is expected to be completed in the 4th quarter of 2022.

13. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted as a virtual meeting through live streaming via remote participation and online voting facilities via Lumi AGM at <https://meeting.boardroomlimited.my> provided by Boardroom Share Registrars Sdn Bhd in Malaysia on Thursday, 20 October 2022 at 2.30 p.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Acquisition.

Shareholders are advised to refer to the Notice of EGM together with the Proxy Form and Administrative Guide for the EGM, which can be downloaded from Mudajaya's website at www.mudajaya.com under the "*Investor Relations*" section and Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com under "*Company Announcements*".

If you are unable to participate and vote at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, not less than 48 hours before the time appointed for holding the EGM. The lodging of the Proxy Form shall not preclude you from participating and voting at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
MUDAJAYA GROUP BERHAD

LEE ENG LEONG
Non-Independent Executive Chairman

SALIENT TERMS OF SSPA

The following is a summary of the salient terms of the SSPA:-

1. Mudajaya had through its wholly-owned subsidiary, Xelmont Limited entered into the SSPA dated 30 June 2022 with MHL for the acquisition of Real Jade consisting 50,000 ordinary shares of USD1 each, of which 1 Real Jade Share has been issued and paid-up, free from all encumbrances and together with all rights and benefits that attach as at the completion of the SSPA;
2. The Purchase Consideration for the sale shares is HKD400,000,000 (RM224,320,000) which will be partly satisfied through cash by the completion of the SSPA ("**Cash Portion**") amounting to HKD 201,000,000 (RM112,721,000) with the remaining balance of HKD199,000,000 (RM111,599,000) to remain an indebtedness owing by the Purchaser to the Vendor on completion of the SSPA ("**Balance**") and to be satisfied by the Purchaser in one lump sum payment together with any unpaid accrued interest on or before the expiration of two years after the completion of the SSPA;
3. The interest payable for the Balance is at the rate of 5% per annum calculated from the date of completion of the SSPA to the date of full payment of the Balance;
4. The due and punctual performance and observance of and compliance with the obligation of the Purchaser under the SSPA shall be guaranteed by Mudajaya;
5. The completion of this SSPA is subject to conditions which include: -
 - (a) the Purchaser being satisfied with legal, financial and commercial due diligence carried out by the Purchaser, as acquiror of the sale shares, or by its representatives, on Real Jade;
 - (b) the compliance with Chapter 10 of the Listing Requirements;
 - (c) the approval of the shareholders of Mudajaya as well as the Vendor for the sale and purchase of the sale shares; and
 - (d) the required approval of all other required regulatory authorities.
6. Before the completion the Vendor save in the ordinary business must ensure that:-
 - (a) the business of Real Jade Group is conducted in the ordinary course of business;
 - (b) Real Jade Group does not enter into any new project without the prior written consent of the Purchaser provided that such consent must not be unreasonably withheld;
 - (c) Real Jade Group does not acquire, dispose of, or create a security interest over any of its assets other than acquisitions or disposals of stock in trade or creation of security interests;
 - (d) Real Jade Group does not conduct any form of capital raising exercise, either in the form of debt or equity, other than as required for the purpose of its ordinary course of business and to maintain its business as a going concern;
 - (e) save for the distributions and adjustments, Real Jade Group does not distribute or return any capital to its members without the prior written consent of the Purchaser provided that such consent must not be unreasonably withheld;
 - (f) save for the distributions and adjustments, Real Jade Group does not pay any interim or final dividend to its members without the prior written consent of the Purchaser provided that such consent must not be unreasonably withheld;
 - (g) Real Jade Group does not issue any shares, options or securities which are convertible into shares in Real Jade or any of its subsidiaries;

SALIENT TERMS OF SSPA

- (h) Real Jade Group does not do or omit to do anything as a result of which any of its and the Purchaser's warranties, would be untrue if given at any time before the completion;
- (i) Real Jade Group does not significantly change the terms of employment (including remuneration) of any of its employees;
- (j) Real Jade Group does not alter its Articles or any constitutional document to which it has subscribed unless the Purchaser first consents in writing, such consent not to be unreasonably withheld; and
- (k) Real Jade Group must not knowingly and intentionally do anything which would have a material and adverse effect on:-
 - (i) the Purchaser's ability to perform any of its obligations under the SSPA; or
 - (ii) the value of the sale share and/or Real Jade's assets,

unless the Vendor obtains the prior written approval of the Purchaser.

7. Unless otherwise agreed by the other party, on or before the date of the SSPA, the Vendor and Purchaser must each deliver to the other duly executed and dated resolutions of their board approving the execution of the SSPA and the performance of their respective obligations under the SSPA.
8. The following changes to Real Jade's board and management shall be effected immediately after the execution of the SSPA:-
 - (a) the Vendor shall cause 2 of the Purchaser's nominees to be appointed to its board as directors. Their appointment is to safeguard Mudajaya's interest in Real Jade while pending completion of the Proposed Acquisition as well as to facilitate the ownership transition;
 - (b) the Vendor shall procure that 1 of the existing director of Real Jade to resign from the board; and
 - (c) 1 of the Purchaser's nominees to the board of Real Jade shall be appointed as the Chief Financial Officer ("**CFO**") of Real Jade. Tan Chin Boo, the alternate director to Lee Eng Leong was appointed as the CFO of Real Jade by Mudajaya. His profile is set out in **Section 2.2.3** of this Circular.
9. Upon completion of the SSPA:-
 - (a) the Vendor will have to transfer the legal and beneficial ownership of the sale shares to the Purchaser; and
 - (b) the Purchaser shall fully settle the Cash Portion with the Balance remain an indebtedness owing by the Purchaser to the Vendor that should be satisfied by the Purchaser on or before two years after the completion of the SSPA.

INFORMATION ON REAL JADE

1. INCORPORATION AND BUSINESS ACTIVITIES

Real Jade was incorporated in BVI under the BC Act, 2004 on 22 July 2019 as a limited company. It is principally engaged in investment holding. Through its subsidiaries, Real Jade commenced its business in 1993 and is principally involved in the manufacturing, sales and trading of cement in PRC. Real Jade Group is also involved in the provision of energy conservation and reuse solutions through the installation of energy efficient and environmentally friendly air-conditioning systems and heating systems for commercial, residential and industrial buildings.

Real Jade Group conducts its manufacturing operations of cement and clinker solely in PRC and all of its customers are based in PRC. Limestone and clay are the main raw materials for its manufacturing or cement which is sourced locally in PRC. These raw materials are readily available and obtainable from local suppliers in PRC.

Ng Qing Hai, the director of Real Jade has been the key personnel driving the business. He was first appointed the director of Shanghai Allied Cement Co., Limited, a subsidiary of Real Jade, in 1995 and has over 25 years of experience in the cement-related business. Mr. Ng has entered into a service contract with Shanghai Allied Cement Holdings Limited, a subsidiary of Real Jade, for a term of 3 years commencing from 19 October 2021. Further details on his profile are set out in **Section 3** below.

The revenue contribution of each of the business segments for the past 3 financial years up to the FYE 31 December 2021 is set out below:-

	-----Audited----->								
	-----FYE 31 December----->								
	<-----2019----->			<-----2020----->			<-----2021----->		
	HKD'000	RM'000*	%	HKD'000	RM'000*	%	HKD'000	RM'000*	%
Revenue[^]	561,199	294,966	100.0	498,130	258,131	100.0	615,465	329,582	100.0
Manufacture and sales of cement and clinker [^]	472,915	248,564	84.3	404,508	209,616	81.2	479,339	256,686	77.9
Trading of cement [^]	75,130	39,488	13.4	70,861	36,720	14.2	56,724	30,376	9.2
Manufacture and sales of building stones [^]	-	-	-	-	-	-	59,964	32,111	9.7
Provision of service on environmental protection and energy conservation [^]	13,154	6,914	2.3	22,761	11,795	4.6	19,438	10,409	3.2

Notes:-

[^] Extracted from the Accountants' Report, **Appendix III** of this Circular audited by the Reporting Accountant

* The HKD amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial year under review, as follows:-

FYE 31 December 2019	HKD1.00 : RM0.5256
FYE 31 December 2020	HKD1.00 : RM0.5182
FYE 31 December 2021	HKD1.00 : RM0.5355

As highlighted in the table above, Real Jade Group is primarily involved in the manufacture, sales and trading of cement. The manufacturing and sales of cement and clinker as well as the trading of cement is the largest revenue contributor to Real Jade Group, collectively contributing approximately 97.7%, 95.4% and 87.1% to the total revenue during financial years under review. The operating profits generated from these divisions are set out below:-

	-----FYE 31 December----->					
	<-----2019----->		<-----2020----->		<-----2021----->	
	HKD'000	RM'000*	HKD'000	RM'000*	HKD'000	RM'000*
Operating profit (before interest and tax)						
Manufacture and sales of cement and clinker	109,247	57,420	27,233	14,112	110,399	59,119
Trading of cement	70,542	37,077	72,499	37,569	49,754	26,643

INFORMATION ON REAL JADE

Note:-

- * The HKD amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial years under review, as follows:-

FYE 31 December 2019	HKD1.00 : RM0.5256
FYE 31 December 2020	HKD1.00 : RM0.5182
FYE 31 December 2021	HKD1.00 : RM0.5355

Real Jade's manufacturing operations begin with sourcing the raw materials with the appropriate quality and texture (such as limestone and clay) from external suppliers. The raw materials are first crushed, grounded into finer particles and carefully stored in silos. The exact amount of the required materials are weighed out to a careful proportion and then burned in a cement kiln at temperatures up to 1,350 to 1,550°C. The burned product emerges from the kiln as small nodules of clinker. These pass into coolers, where the heat is transferred to incoming air and the product cooled. The clinker may be immediately ground to cement or stored in stockpiles for later use. The resulting cement and clinker is then packaged and transported to construction players.

As at the LPD, Real Jade Group owns and operates a production plant located in Dunzhuangcun, Jiantouji Town, Taierzhuang District, Zaozhuang, 277405, Shandong, PRC, with a total land area of approximately 1.4 million square feet for their manufacturing of cement and clinker. The production plant has been operational for 17 years since 2005 and has a maximum annual capacity of 1,000,000 tonnes per annum. It had been operating at full capacity over the financial years under review, with average daily production output as follows:-

	FYE 31 December 2019	FYE 31 December 2020	FYE 31 December 2021
Average daily production output (tonnes per day)	2,964	2,982	3,014

In addition to the manufacturing, sales and trading of cement, Real Jade Group's business activities also include the provision of energy conservation and reuse solutions. Real Jade Group expanded its business activities into this business in 2016. Real Jade Group provides facilities, equipment, and energy conservation and environmentally friendly solutions through the installation of energy efficient and environmentally friendly air-conditioning systems and heating systems for commercial, residential and industrial buildings. The installation of these air-conditioning systems and heating systems help to increase efficiency and reduce emissions of the buildings. Real Jade does not enter into any long-term contracts with these companies and is only engaged by them on a project-by-project basis. The table below sets out the major customers of Real Jade, all of which are located in PRC:-

Customers**Core operations**

Shanghai Construction Building Materials Technology Group Co., Ltd	Construction of infrastructure
Shanghai Residential Group JianKe Chemical Construction Materials Co., Ltd.	Construction of infrastructure
Shanghai ShenKun Concrete Group Co., Ltd.	Construction of infrastructure
Shanghai JieTeng Building Materials Co., Ltd.	Construction of infrastructure
Shandong HongJu Building Materials Co., Ltd.	Real estate developments
Suqian YeFeng Building Materials Co., Ltd.	Real estate developments
Suqian YunRui Materials Co., Ltd.	Real estate developments
Xuzhou ZhenNing New Building Materials Co., Ltd.	Construction of infrastructure

A summary of Real Jade Group's total employees for the past 3 financial years up to FYE 31 December 2021 is as follows:-

	Number of employees		
	FYE 31 December 2019	FYE 31 December 2020	FYE 31 December 2021
Manufacture and sales of cement and clinker	203	214	207
Trading of cement	27	27	25
Manufacture and sales of building stones	-	-	21
Provision of service on environmental protection and energy conservation	9	10	12

INFORMATION ON REAL JADE

Further, Real Jade Group also conducts research in relation to new types of cements to diversify its product offerings for its business. The total expenditure on research and number of research employees for the past 3 financial years up to FYE 31 December 2021 are as follows:-

	<-----Total expenditure on research----->		Number of employees in research
	RMB'000	RM'000*	
FYE 31 December 2019	13,107	7,705	54
FYE 31 December 2020	12,829	7,878	55
FYE 31 December 2021	14,472	9,541	56

Note:-

* The RMB amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial year under review, as follows:-

FYE 31 December 2019	RMB1.00 : RM0.5879
FYE 31 December 2020	RMB1.00 : RM0.6141
FYE 31 December 2021	RMB1.00 : RM0.6593

Real Jade Group's business is not expected to be phased out by the PRC authority as it was issued a manufacturing license on 26 April 2021 with an expiry date on 30 December 2025. Shandong Allied Wangchao Cement Limited, a wholly-owned subsidiary of Real Jade, is the authorised license holder. The license tenure of 5 years is in line with the industry norm, and is subject to further renewal which can be applied 6 months prior to expiry. Further, Real Jade Group also owns a mining license of limestone quarry (raw material for cement) for a period of 10 year commencing 8 July 2020 to 8 July 2030.

As at the LPD, the Board is not aware of any directive nor policy from PRC that may have an adverse impact to the financials and operations of Real Jade Group.

2. SHARE CAPITAL AND CONVERTIBLE SECURITIES

As at the LPD, the issued share capital of Real Jade is USD1 comprising 1 Real Jade Share and it does not have any convertible securities.

3. DIRECTORS AND SHAREHOLDERS

As at the LPD, the directors of Real Jade and their shareholdings in Real Jade are as follows:-

Name	Designation	Nationality	<-----Direct interest----->		<-----Indirect interest----->	
			No. of shares	%	No. of shares	%
Cheng Lung Don	Director	Chinese	-	-	1	100 ^{*1}
Ng Qing Hai	Director	Chinese	-	-	-	-
Lee Eng Leong ^{*2}	Director	Malaysian	-	-	-	-
James Wong Tet Foh ^{*2}	Director	Malaysian	-	-	-	-
Teoh Teik Thiam ^{*2}	Alternate Director	Malaysian	-	-	-	-
Tan Chin Boo ^{*2}	Alternate Director	Malaysian	-	-	-	-

Notes:-

^{*1} Deemed interest by virtue of his shareholding in Master Cheers Enterprises, Mastery Holdings and MHL, which in turn holds 100.0% equity interest in Real Jade

^{*2} Appointed on 30 June 2022 in concurrence with the execution of the SPA. Their appointment was to safeguard Mudajaya's interest in Real Jade while pending completion of the Proposed Acquisition as well as to facilitate the ownership transition

INFORMATION ON REAL JADE

Cheng Lung Don, aged 67, is a Chinese living in Hong Kong. He graduated from Hong Kong Baptist University majoring in Accounting. Mr. Cheng is a businessman and has been a consultant to a number of listed companies in Hong Kong for the past 25 years, as well as a strategic investor based in Hong Kong and the PRC undertaking a number of projects involving corporate restructuring, mergers and acquisitions for turnaround.

Notwithstanding that it was initially agreed that Mr. Cheng is to resign from the board of Real Jade immediately after the execution of the SSPA, this is however only envisaged to occur after the completion of the Proposed Acquisition as Mr. Cheng shall continue to be responsible for overseeing Real Jade's operations during the transition process.

Ng Qing Hai, aged 67, is a Chinese living in Shanghai. He has over 25 years of experience in the cement-related business. He completed a 3 years course in finance and accounting in building materials industry in 1983. He is a non-practising member of The Chinese Institute of Certified Public Accountants. Mr. Ng was the 6th Vice Chairman of Shanghai Cement Industrial Association of the PRC, and was a fellow member of the Asian Knowledge Management Association from November 2005 to November 2006. He was appointed as a member of 11th and 12th Shandong Provincial Committee of the Chinese People's Political Consultative Conference in January 2013 and January 2018, respectively. Mr. Ng was an Executive Director from December 2011 to September 2018 of Allied Cement Holdings Limited (now known as Tongfang Kontafarma Holdings Limited), and a Non-Executive Director of China Shanshui Cement Group Limited from December 2015 to February 2016.

Mr. Ng has entered into a service contract with Shanghai Allied Cement Holdings Limited, a subsidiary of Real Jade, for a term of 3 years commencing from 19 October 2021 subject to early termination without any compensation for the loss of his position. Pursuant to the service contract, Mr. Ng is entitled to an emolument of HKD237,000 (RM132,910) per month.

Lee Eng Leong, aged 54, is a Malaysian living in Malaysia. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He attained his INSEAD Global Executive Master of Business Administration (MBA) in 2018. Mr. Lee was formerly the Group Chief Financial Officer of Alliance Bank Malaysia Berhad from January 2010 to October 2012. Prior to joining Alliance Bank Malaysia Berhad, he was the Chief Financial Officer for Microsoft, a major global company where he oversaw their finance operations covering the Asia region. For over 20 years, he has held various leadership roles in management positions within both local companies and multinational companies in Asia.

James Wong Tet Foh, aged 61, is a Malaysian living in Malaysia. He graduated with a Bachelor of Science (1st Class Honours) in Civil Engineering in 1984 and a Master of Science in 1985 from Imperial College of Science, Technology & Medicine, United Kingdom. He also completed a Master of Business Administration (Finance) Programme from Nottingham University Business School in 2015. He attained his Professional Engineer registration with the Board of Engineers Malaysia in 1989 after having spent the first 5 years of his career with a forensic engineering consultancy firm specialising in distressed buildings or infrastructure works covering the fields of geotechnical, structural and material investigations. Mr. Wong joined the UEM group of companies in 1989 where he served for 21 years in various capacities such as Chief Operating Officer for UE Construction Sdn Bhd (2002-2004) and Director of International Projects for UEM Builders Berhad (2004-2009). His stint with UEM covered projects in India, Middle East, Indonesia and Singapore. In 2009, he moved to Lafarge Concrete (M) Sdn Bhd as Vice President of Marketing and Strategy (Asia). Prior to joining Mudajaya, he served as Business Development Director of IJM Corporation Bhd and subsequently as Managing Director of IJM's toll highway concession asset companies in Malaysia and India.

INFORMATION ON REAL JADE

Teoh Teik Thiam, aged 53, is a Malaysian living in Malaysia. He graduated with a Bachelor of Engineering (1st Class Honours) Degree in Civil Engineering in 1993 from University of Malaya. He attained his Professional Engineer registration with the Board of Engineers Malaysia in 1997 after having worked 4 years in both design office and project implementation. He is also a corporate member of The Institution of Engineer, Malaysia. He started his career as a Design Engineer with Gamuda Berhad in 1993 and has served as Section Head from 1997 to 1999. Mr. Teoh joined Zelan Construction Sdn Bhd as Technical Manager in 1999 and has since been involved in various infrastructure projects in Malaysia, India and Indonesia as Project Manager and Project Coordinator. He was the General Manager of Zelan Construction Sdn Bhd from 2007 to 2009. He joined Macrobro Sdn Bhd as Head of Commercial from 2009 to July 2011 where he was involved in business development for new ventures in China and Australia as well as property development opportunities in Malaysia. Prior to joining Mudajaya, Mr. Teoh was the Country Director for IJM India involved in the construction, real estate development and tollway business.

Tan Chin Boo, aged 32, is a Malaysian living in Malaysia. He graduated with a BSc (Hons) Degree in Applied Accounting from Oxford Brookes University and is a fellow member of the Malaysian Institute of Accountants and Association of Chartered Certified Accountants, United Kingdom. Prior to joining Mudajaya, Mr. Tan had a professional career with KPMG Malaysia starting in 2013 for period of 6 years. Whilst at KPMG, he was engaged and involved in the audits of public listed and private companies in various industries including manufacturing, trading, property development, retail, oil and gas, shipping and services.

As at the LPD, the substantial shareholders of Real Jade and their shareholdings in Real Jade are as follows:-

Name	Nationality/ Place of incorporation	<-----Direct interest----->		<-----Indirect interest----->	
		No. of shares	%	No. of shares	%
MHL	BVI	1	100	-	-
Master Cheers Enterprises	BVI	-	-	1	100 ^{*1}
Mastery Holdings	BVI	-	-	1	100 ^{*2}
Cheng Lung Don	Chinese	-	-	1	100 ^{*3}

Notes:-

^{*1} Deemed interest by virtue of its shareholding in MHL, which in turn holds 100.0% equity interest in Real Jade

^{*2} Deemed interest by virtue of its shareholding in Master Cheers Enterprise, which in turn holds 100.0% equity interest in MHL

^{*3} Deemed interest by virtue of his shareholding in Mastery Holdings, which in turn holds 100.0% equity interest in Master Cheers Enterprise

4. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, the subsidiaries of Real Jade are as follows:-

Company	Date/ place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Splendid Link Limited	19 Nov 2010/ BVI	USD1	100.0	Investment holding
Power Enrich Ltd	16 Oct 2020/ BVI	USD1	100.0	Dormant
Level Supreme Ltd	5 Oct 2020/ BVI	USD1	100.0	Dormant
Shanghai Allied Cement Holdings Limited	21 May 2001/ Hong Kong	HKD10,000,000	100.0	Investment holding
SAC Intellectual Properties Limited	11 Mar 2010/ BVI	USD1	100.0	Investment holding

INFORMATION ON REAL JADE

Company	Date/ place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Silver Bloom Holdings Limited	18 Feb 2019/ Hong Kong	HKD10,000	100.0	Investment holding
All-Shanghai Inc.	1 Mar 1993/ BVI	USD15,376,500	83.33	Investment holding and cement business
All-cement Limited	5 Jan 2001/ BVI	USD1	100.0	Investment holding and cement business
Shandong Allied Wangchao Cement Limited	29 Dec 2003/ PRC	USD29,360,000	100.0 ^{*1}	Manufacture and sales of cement and clinker The production plant of Real Jade Group is operated by this subsidiary
Shanghai Allied Cement Co., Ltd	31 Dec 1993/ PRC	USD104,000,000	50.00	Trading of cement and clinker
Shandong Shanghai Allied Cement Co., Ltd	8 Jun 2001/ PRC	USD1,000,000	100.0	Manufacture and sales of slag
Zaozhuang Laisheng New Building Materials Co., Ltd	2 Nov 2020/ PRC	USD2,450,000	70.0	Manufacture and sales of buildings stones
Shanghai Guorui Tongshun Environmental Protection Technology Co., Ltd	29 July 2016/ PRC	RMB12,000,000	70.83	Provision of energy conservation and reuse solutions
Shanghai Guo Kun Cheng Construction Group Co., Ltd	7 August 2020/ PRC	RMB100,000	36.12	Provision of energy conservation and reuse solutions

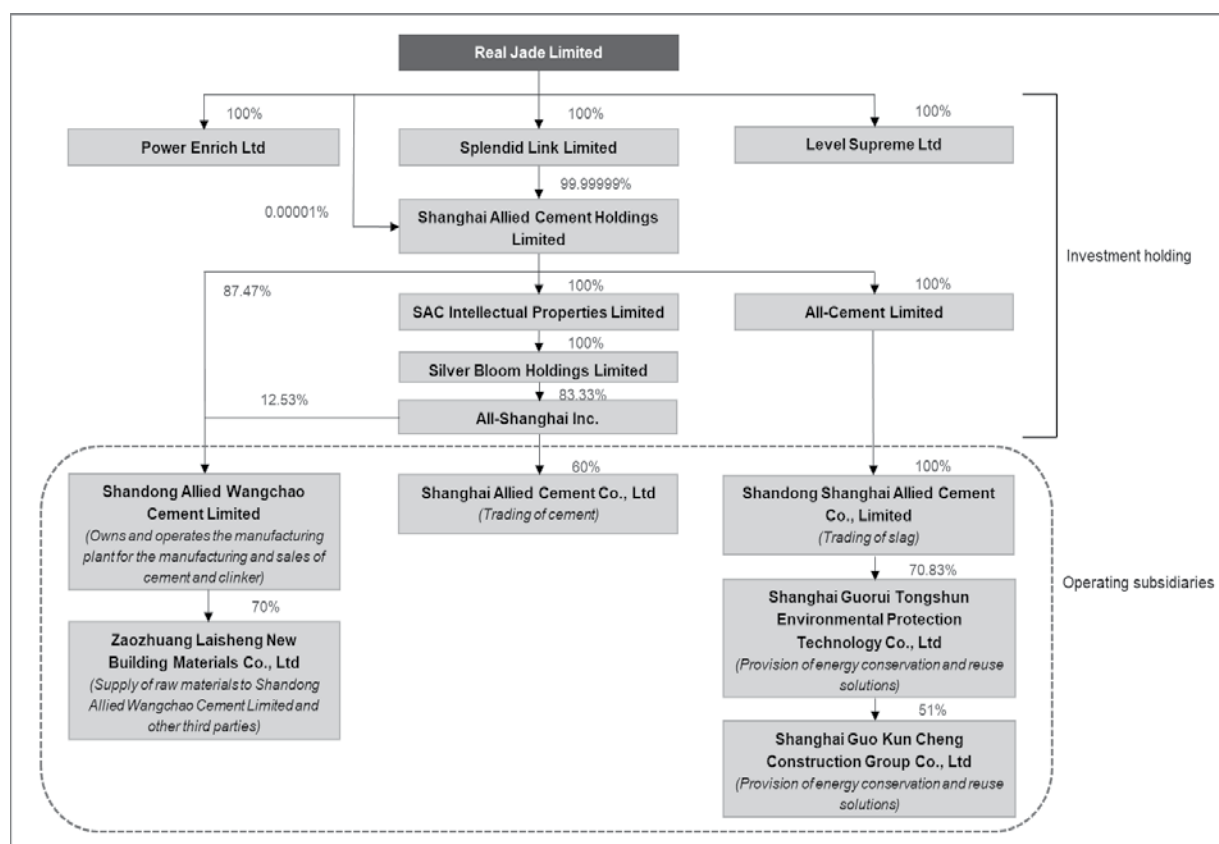
Note:-

^{*1} Pursuant to the trust agreement dated 20 May 2020, Shanghai Allied Cement Holdings Limited had entrusted All-Shanghai Inc. to hold 12.53% of the equity interest in Shandong Allied Wangchao Cement Limited on its behalf. The decision was arrived at after commercial negotiation amongst the subsidiaries, which will not have any impact to the group's structure

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INFORMATION ON REAL JADE

The corporate structure of Real Jade Group is depicted in the diagram as follows:-



For the avoidance of the doubt, none of the shareholders of Real Jade's subsidiaries are related parties to the Directors, major shareholders, chief executives of Mudajaya and/ or persons connected with them.

As at the LPD, Real Jade does not have associate companies and joint venture companies.

5. SUMMARY OF FINANCIAL INFORMATION

A summary of the financial information of Real Jade for the past 3 financial years up to the FYE 31 December 2021 is as follows:-

	-----Audited----->					
	-----FYE 31 December----->					
	<-----2019----->		<-----2020----->		<-----2021----->	
	HKD'000	RM'000*	HKD'000	RM'000*	HKD'000	RM'000*
Revenue [^]	561,199	294,966	498,130	258,131	615,465	329,582
Gross profit [^]	250,456	131,640	188,573	97,719	220,817	118,248
Adjusted EBITDA ^{*1}	194,663	102,314	103,170	53,464	148,284	79,406
PBT [^]	41,567	21,848	204,224	105,829	20,681	11,075
PAT/ (LAT) [^]	99	52	164,183	85,080	(19,888)	(10,650)
Gross profit margin (%)	44.63	44.63	37.86	37.86	35.88	35.88
Adjusted EBITDA margin (%)	34.69	34.69	20.71	20.71	24.09	24.09
PAT margin (%)	0.02	0.02	32.96	32.96	-	-

INFORMATION ON REAL JADE

	Audited					
	FYE 31 December					
	2019		2020		2021	
	HKD'000	RM'000*	HKD'000	RM'000*	HKD'000	RM'000*
Total assets [^]	1,845,076	969,772	2,220,882	1,150,861	1,775,575	950,820
Total liabilities [^]	1,159,686	609,531	1,322,243	685,186	893,296	478,360
Shareholders' funds/ NA [^]	285,193	149,897	459,506	238,116	430,498	230,532
Cash and cash equivalents [^]	66,048	34,715	86,945	45,055	116,900	62,600
Total borrowings [^]	400,244	210,368	488,760	253,275	212,388	113,734
No. of shares in issue [^]	1	1	1	1	1	1
EPS/ (LPS)	99	52	164,183	85,080	(19,888)	(10,650)
NA per share	285,193	149,897	459,506	238,116	430,498	230,352
Gearing ratio (times)	1.40	1.40	1.06	1.06	0.49	0.49
Current ratio (times)	1.31	1.31	1.50	1.50	1.93	1.93
Cash flow from operating activities [^]	(96,324)	(50,628)	(38,391)	(19,894)	341,220	182,723

Notes:-

[^] Extracted from the Accountants' Report, **Appendix III** of this Circular audited by the Reporting Accountant

^{*} The HKD amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial year under review, as follows:-

FYE 31 December 2019	HKD1.00 : RM0.5256
FYE 31 December 2020	HKD1.00 : RM0.5182
FYE 31 December 2021	HKD1.00 : RM0.5355

[†] The fluctuations in the historical financial performance of Real Jade Group, particularly for its earnings, were mainly due to non-operating transactions recorded over the financial years under review, which are generally non-trade in nature as illustrated below:-

	FYE 31 December					
	2019		2020		2021	
	HKD'000	RM'000*	HKD'000	RM'000*	HKD'000	RM'000*
Profit/ (loss) attributable to owners of Real Jade	(18,597)	(9,775)	133,995	69,436	(48,055)	(25,733)
Add: Taxation	41,468	21,796	40,041	20,749	40,569	21,725
Finance costs	106,766	56,116	121,255	62,834	23,338	12,497
Depreciation & amortization	20,738	10,900	20,548	10,648	19,357	10,366
EBITDA	150,375	79,037	315,839	163,667	35,209	18,855
Add: Adjustments	44,288	23,277	(212,669)	(110,203)	113,075	60,551
Other income and gains	(22,667)	(11,914)	(276,150)	(143,100)	(237,538)	(127,202)
Fair value gain on financial assets designated at fair value through profit or loss	(3,753)	(1,973)	(4,252)	(2,203)	(1,017)	(545)
Impairment loss on loans receivable	35,864	18,850	-	-	1,354	725
Impairment loss on property, plant and equipment	7,741	4,069	71,752	37,182	-	-
Impairment loss on goodwill	-	-	-	-	106	57
Reversal of/ (provision for) impairment loss on trade and bills receivables and other receivables	25,862	13,593	(8,787)	(4,553)	(163)	(87)
Waiver of amount due from immediate holding company	-	-	-	-	347,649	186,166
Net loss on disposal and write-off of property, plant and equipment	1,241	652	4,768	2,471	2,684	1,437
Adjusted EBITDA	194,663	102,314	103,170	53,464	148,284	79,406

INFORMATION ON REAL JADE

Real Jade Group recorded adjusted EBITDA of HKD194.66 million (RM102.31 million), HKD103.17 million (RM53.46 million) and HKD148.28 million (RM79.41 million) for the FYEs 31 December 2019, 2020 and 2021 respectively. Please refer to **Appendix VII** of this Circular for the Expert's Report on the fairness of the Purchase Consideration using the EV/EBITDA approach.

For the past 3 financial years up to the FYE 31 December 2021:-

- there were no exceptional or extraordinary item, including the following:-
 1. Interest income of HKD247.97 million (RM128.50 million) being recognized from Fortunate Gold during the FYE 31 December 2020, the auditor is of the view that the nature of this transaction is similar to an intercompany backcharge. Hence, the interest income is not regarded as an exceptional or extraordinary item;
 2. Waiver of HKD347.65 million (RM186.17 million) debt due from MHL during the FYE 31 December 2021, the auditor is of the view that this waiver is considered a normal business activity given that it was requested by MHL, being the sole shareholder of Real Jade, of which the board of Real Jade's approval was also obtained. In addition, MHL has full control over decision to be made in Real Jade. Hence the waiver is not regarded as an exceptional or extraordinary item;
- there were no accounting policies adopted by Real Jade that are peculiar to Real Jade due to the nature of its business of the industry it operates in; and
- there was no audit qualification for the financial statements of Real Jade.

Commentary on past financial performance:-

FYE 31 December 2019 compared with FYE 31 December 2018

For the FYE 31 December 2019, Real Jade recorded a revenue of HKD561.20 million (RM294.97 million), which represents an increase of HKD68.98 million (RM34.98 million) or approximately 14.0% as compared to the preceding financial year of HKD492.22 million (RM259.99 million). The increase was mainly due to the increase in sales of cement and clinker amounting to approximately HKD40.87 million (RM21.48 million) as compared to the preceding financial year as a result of higher demand from its customers.

For the FYE 31 December 2019, notwithstanding the higher revenue posted, Real Jade recorded a PBT of HKD41.57 million (RM21.85 million), which represents a decrease of HKD9.76 million (RM5.26 million) or approximately 19.0% as compared to the preceding financial year of HKD51.32 million (RM27.11 million). The lower PBT was mainly attributable to the following factors:-

- i. the finance cost of Real Jade had increased to HKD106.77 million (RM56.12 million) for the FYE 31 December 2019, which represents an increase of HKD73.04 million (RM38.30 million) as compared to HKD33.73 million (RM17.82 million) for the FYE 31 December 2018. The increase in finance cost was mainly due to increase in interest rate incurred on other borrowings from 18% to 30% as a result from loan restructuring leading to an increase in interest incurred for other borrowings amounting to HKD72.67 million (RM38.20 million) as compared to the preceding financial year;
- ii. Real Jade recognised a net loss on trade and bills receivables and other receivables of HKD25.86 million (RM13.59 million) for the FYE 31 December 2019 as compared to a reversal of impairment loss on trade and bills receivables and other receivables of HKD0.76 million (RM0.40 million) for the FYE 31 December 2018. The impairment loss was made due to the application of expected credit losses in accordance with IFRS 9 for possible future debtor loss for certain receivables from customers mainly from Real Jade's manufacture and sales of cement and clinker as well as trading of cement segment.

INFORMATION ON REAL JADE

For the FYE 31 December 2019, Real Jade recorded negative cash flow of HKD96.32 million (RM50.63 million) from its operating activities, mainly attributable to slower collections from customers. Real Jade agreed to support these customers, who were experiencing workforce and operational restrictions arising from the COVID-19 pandemic with extended credit terms to fulfill their payment obligations.

FYE 31 December 2020 compared with FYE 31 December 2019

For the FYE 31 December 2020, Real Jade recorded a revenue of HKD498.13 million (RM258.13 million), which represents a decrease of HKD63.07 million (RM36.84 million) or 11.2% as compared to the preceding financial year of HKD561.20 million (RM294.97 million). The decrease was mainly due to the decrease in sales of cement and clinker amounting to approximately HKD68.41 million (RM35.45 million) as compared to the preceding financial year as a result of lower demand from its customers.

For the FYE 31 December 2020, Real Jade recorded a PBT of HKD204.22 million (RM105.83 million), which represents an increase of HKD162.65 million (RM83.98 million) or 391.3% as compared to the preceding financial year of HKD41.57 million (RM21.85 million). The increase was mainly attributable to the increase in other income of Real Jade to HKD276.15 million (RM143.10 million) for the FYE 31 December 2020, which represents an increase of HKD253.48 million (RM131.18 million) as compared to HKD22.67 million (RM11.92 million) for the FYE 31 December 2019. The increase was mainly due to the recognition of interest income from a former holding company amounting to RM247.97 million (RM128.50 million) as a result of one-off settlement of overdue interest.

For the FYE 31 December 2020, Real Jade recorded negative cash flow of HKD38.39 million (RM19.89 million) from its operating activities, mainly attributable to slower collections from customers. Real Jade agreed to support these customers, who were experiencing workforce and operational restrictions arising from the COVID-19 pandemic with extended credit terms to fulfill their payment obligations.

FYE 31 December 2021 compared with FYE 31 December 2020

For the FYE 31 December 2021, Real Jade recorded a revenue of HKD615.47 million (RM329.58 million), which represents an increase of HKD117.34 million (RM71.45 million) or approximately 23.6% as compared to the preceding financial year of HKD498.13 million (RM258.13 million). The increase was mainly due to the increase in sales of cement and clinker amounting to approximately HKD74.83 million (RM40.07 million) as compared to the preceding financial year as a result of higher demand from its customers, coupled with the commencement of the building stones business which garner a revenue of HKD59.96 million (RM32.11 million) in the current year.

For the FYE 31 December 2021, notwithstanding the higher revenue posted, Real Jade recorded a PBT of HKD20.68 million (RM11.07 million), which represents a decrease of HKD183.54 million (RM94.76 million) or 89.9% as compared to the preceding financial year of HKD204.22 million (RM105.83 million). The decrease was mainly attributable to the waiver of a HKD347.65 million (RM186.17 million) debt due from MHL, which had also led to an increase in non-deductible expenses for the FYE 31 December 2021.

For the FYE 31 December 2021, Real Jade recorded interest payable of HKD5.55 million (RM2.97 million), which represents a decrease of HKD230.09 million (RM119.14 million) or approximately 97.6% as compared to the preceding financial year of HKD235.64 million (RM122.11 million). The decrease was mainly due to the loan renewal between Real Jade and the lenders, namely AP Finance and Joint View, in which the interest rate had been reduced to 6% (2020 and 2019: 30%). The reduced interest rate was to encourage prompt payment by Real Jade moving forward.

As at 31 December 2021, Real Jade's total trade and other receivables stood at HKD980.87 million (RM525.26 million), out of which HKD716.20 million (RM383.53 million) comprises other receivables, deposits and prepayments, while the balance of HKD264.67 million (RM141.73 million) consist of trade and bills receivables. The normal credit terms granted by Real Jade to its customers are usually within 30 days to 1 year. The Board opines that Real Jade's trade and bills receivables of HKD264.67 million (RM141.73 million) as at 31 December 2021 are fully collectable given that almost all of the billings (after allowances for doubtful debts) were neither past due nor impaired.

INFORMATION ON REAL JADE

6. IMPACT OF COVID-19 OUTBREAK

The recent ongoing COVID-19 outbreak, which has led to the implementation of national lockdown policies in many countries worldwide, including PRC, has restricted many businesses from operating as usual. The COVID-19 pandemic has affected Real Jade operationally and financially due to the lockdowns imposed by the PRC Government.

For the FYE 31 December 2020, Real Jade Group's sales and trading divisions had not been spared from the decline in bulk demand, which was in conjunction with the downturn in the construction industry in PRC. It had incurred total costs of approximately HKD350,000 (RM196,280) as at the LPD, to comply with the Standard Operating Procedures (SOPs) imposed by the PRC Government, which include, amongst others, temperature monitoring for all employees and visitors, ensuring physical distancing during work, and the purchase of personal protective equipment.

The negative operating cash flows recorded for the FYEs 31 December 2019 and 2020 was mainly attributable to slower collections from customers. Real Jade Group agreed to support these customers, who were experiencing workforce and operational restrictions arising from the COVID-19 pandemic with extended credit terms to fulfill their payment obligations.

Notwithstanding that the operations have been gradually returning to normalcy, there can be no assurance that any prolonged adverse development arising from the lockdowns, COVID-19 and/ or any other external factors will not adversely affect the financial performance and operations of Real Jade Group moving forward.

7. CAPITAL EXPENDITURES

During the FYEs 31 December 2020 and 2021, Real Jade Group had incurred capital expenditures of HKD67.10 million (RM34.77 million) and HKD37.70 million (RM20.19 million) respectively for the acquisition of new property, plant and equipment. This was mainly for the establishment of a new production line by Zaozhuang Laisheng New Building Materials Co., Ltd. and for the upgrading of a production line by Shandong Allied Wanchao Cement Limited.

8. MATERIAL COMMITMENTS

As at the LPD and save as disclosed below, the board of directors of Real Jade is not aware of any material commitments incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of Real Jade Group:-

	HKD'000	RM'000
<u>Contracted for but not provided in the consolidated financial statements</u>		
Capital contribution to a joint venture ^{*1}	460,347	246,516
Acquisition of property, plant and equipment	1,010	541
	461,357	247,057

Note:-

^{*1} The joint venture is currently pending approval from the local authority before commencement. Shanghai Allied Cement Co, Ltd, a subsidiary of Real Jade, is actively following up with the authority and that the joint venture company will only be formed after obtaining the relevant approvals. Please refer to **Note 30, Appendix III** of this Circular for the Accountants' Report on the further details on the joint venture

INFORMATION ON REAL JADE

9. MATERIAL CONTRACTS

Save for the SSPA and as disclosed below, Real Jade Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD:-

Date	Parties Involved	General Nature	Expiry Date	Consideration
1 November 2021	<u>Target</u> Shanghai Guokunsheng Construction Group Co., Ltd ("Shanghai Guokunsheng") <u>Seller</u> Shanghai Fanxin Enterprise Development Group Co., Ltd ("Shanghai Fanxin") <u>Buyer</u> Shanghai Guorui	Share sale purchase agreement	-	Shanghai Guorui (a subsidiary of Real Jade) acquired a 51% equity interest in the RMB0.10 million paid-up capital of Shanghai Guokunsheng at the purchase price of RMB 0.051 million

10. CONTINGENT LIABILITIES

As at the LPD, the board of directors of Real Jade is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of Real Jade Group.

11. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Real Jade Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of Real Jade is not aware and have no knowledge of any proceedings pending or threatened against Real Jade Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of Real Jade Group.

ACCOUNTANTS' REPORT ON REAL JADE



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29 August 2022

The Board of Directors
Mudajaya Group Berhad
PH1, Menara Mudajaya
No.12A, Jalan PJU7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Dear Sirs,

Reporting Accountant's Opinion on the Consolidated Financial Statements contained in the Accountants' Report of Real Jade Limited and its subsidiaries

Our Opinion

We have audited the accompanying financial statements of Real Jade Limited and its subsidiaries ("the Group" or the "Target Company") which comprise the consolidated statements of financial position as at 31 December 2021, 31 December 2020 and 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019, and a summary of significant accounting policies and other explanatory notes (together, the "Financial Statements"), as set out on pages 1 to 68. The Financial Statements have been prepared for purposes of inclusion in Mudajaya Group Berhad ("Mudajaya")'s circular to shareholders of Mudajaya (the "Circular to Shareholders") in connection with the proposed acquisition of Real Jade Limited and its subsidiaries by Mudajaya (the "Proposal").

In our opinion, the Financial Statements give a true and fair view of the financial position of the Target Company as at 31 December 2021, 31 December 2020 and 31 December 2019 and of its financial performance and cash flows for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019, in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Reporting Accountant's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Forward)

ACCOUNTANTS' REPORT ON REAL JADE

Independence and Other Ethical Responsibilities

We are independent of the Target Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Directors' Responsibilities for the Financial Statements

The Directors of the Target Company are responsible for the preparation of the Financial Statements for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019 that gives a true and fair view in accordance with the MFRS and IFRS. The Directors of the Target Company are also responsible for such internal control as the Directors of the Target Company determine is necessary to enable the preparation of the Financial Statements that is free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Target Company, the Directors of the Target Company are responsible for assessing the Target Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Target Company either intend to liquidate the Target Company or to cease operations, or have no realistic alternative but to do so.

Reporting Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements of the Target Company as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements of the Target Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Company's internal control.

(Forward)

ACCOUNTANTS' REPORT ON REAL JADE

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Target Company.
- Conclude on the appropriateness of the Directors of the Target Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Target Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the Financial Statements of the Target Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Target Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements of the Target Company, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Target Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of the Target Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Distribution and Use

This report is issued for the sole purpose of inclusion in the Circular to Shareholders of Mudajaya in connection with the Proposal and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31
DECEMBER 2019

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

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ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITEDCONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

	<u>NOTES</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Revenue	5	615,465	498,130	561,199
Cost of sales		(394,648)	(309,557)	(310,743)
Gross profit		220,817	188,573	250,456
Other income and gains	6	237,538	276,150	22,667
Fair value gain on financial assets designated at fair value through profit or loss		1,017	4,252	3,753
Impairment loss on loans receivable		(1,354)	-	(35,864)
Impairment loss on property, plant and equipment		-	(71,752)	(7,741)
Reversal of/(Provision for) impairment loss on trade and bills receivables and other receivables		163	8,787	(25,862)
Waiver of amount due from immediate holding company	21	(347,649)	-	-
Distribution and selling expenses		(4,201)	(3,668)	(4,558)
Administrative expenses		(62,312)	(76,863)	(54,518)
Finance costs	7	(23,338)	(121,255)	(106,766)
Profit before taxation		20,681	204,224	41,567
Taxation	8	(40,569)	(40,041)	(41,468)
(Loss)/Profit for the year	9	(19,888)	164,183	99
Other comprehensive income/(expense):				
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
Exchange difference arising on translation to presentation currency		30,966	64,171	(18,083)
Total comprehensive income/(expense) for the year		11,078	228,354	(17,984)
(Loss)/Profit for the year attributable to:				
Owners of the Company		(48,055)	133,995	(18,597)
Non-controlling interests		28,167	30,188	18,696
		(19,888)	164,183	99
Total comprehensive income/(expense) for the year attributable to:				
Owners of the Company		(29,008)	174,313	(29,881)
Non-controlling interests		40,086	54,041	11,897
		11,078	228,354	(17,984)

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AT 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

	NOTES	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets				
Property, plant and equipment	10	306,345	281,343	301,016
Right-of-use assets	11	8,129	7,483	8,442
Deposits for equipment and machineries	12	28,890	28,109	26,453
Mining right	13	8,362	8,438	8,224
Pledged bank deposits	14	-	11,901	11,199
		<u>351,726</u>	<u>337,274</u>	<u>355,334</u>
Current assets				
Properties held for sale	15	2,365	2,301	2,166
Inventories	16	22,920	33,893	39,535
Trade and bills receivables	17	264,670	375,631	208,192
Other receivables, deposits and prepayments	18	716,199	833,014	853,933
Loans receivable	19	240,673	63,332	16,799
Financial assets at fair value through profit or loss	20	-	61,201	57,578
Amount due from immediate holding company	21	-	347,649	-
Amount due from former holding company	21	-	-	98,592
Amount due from related parties	22	-	-	88,476
Time deposits	23	12,231	-	-
Pledged bank deposits	14	39,121	72,737	52,997
Restricted bank deposits	23	8,770	6,905	5,426
Bank balances and cash	23	116,900	86,945	66,048
		<u>1,423,849</u>	<u>1,883,608</u>	<u>1,489,742</u>
Current liabilities				
Trade and bills payables		159,692	258,958	261,232
Other payables and deposits received	24	204,150	415,282	349,300
Contract liabilities	25	10,021	6,418	10,357
Amount due to immediate holding company	21	150,000	-	-
Amounts due to related parties	22	29,727	26,515	22,085
Bank and other borrowings due within one year	26	80,000	439,459	397,490
Tax liabilities		103,815	105,530	99,588
Lease liabilities due within one year	27	1,127	1,232	1,204
		<u>738,532</u>	<u>1,253,394</u>	<u>1,141,256</u>
Net current assets		<u>685,317</u>	<u>630,214</u>	<u>348,486</u>
Total assets less current liabilities		<u>1,037,043</u>	<u>967,488</u>	<u>703,820</u>

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

	NOTES	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Non-current liabilities				
Deferred taxation	28	23,503	20,780	16,880
Bank and other borrowings due after one year	26	130,000	47,655	-
Lease liabilities due after one year	27	1,261	414	1,550
		<u>154,764</u>	<u>68,849</u>	<u>18,430</u>
Net assets		<u>882,279</u>	<u>898,639</u>	<u>685,390</u>
Capital and reserves				
Share capital	29	-	-	-
Reserves		<u>430,498</u>	<u>459,506</u>	<u>285,193</u>
Equity attributable to owners of the Company		430,498	459,506	285,193
Non-controlling interests		<u>451,781</u>	<u>439,133</u>	<u>400,197</u>
Total equity		<u>882,279</u>	<u>898,639</u>	<u>685,390</u>

The consolidated financial statements on pages 1 to 68 were approved and authorised for issue by the Board of Directors on 29 August 2022 and are signed on its behalf by:



LEE ENG LEONG
DIRECTOR

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000 (Note a)	Capital reserve HK\$'000	Statutory reserves HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000	
At 1 January 2019	-	(21,126)	(40,027)	824	32,815	342,588	315,074	402,076
(Loss)/Profit for the year	-	-	-	-	-	(18,597)	(18,597)	18,696
Exchange difference arising on translation to presentation currency	-	(11,284)	-	-	-	-	(11,284)	(6,799)
Total comprehensive (expense)/income for the year	-	(11,284)	-	-	-	(18,597)	(29,881)	11,897
Appropriations to reserve	-	-	-	-	2,440	(2,440)	-	-
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	(13,776)
At 31 December 2019	-	(32,410)	(40,027)	824	35,255	321,551	285,193	400,197
Profit for the year	-	-	-	-	-	133,995	133,995	30,188
Exchange difference arising on translation to presentation currency	-	40,318	-	-	-	-	40,318	23,853
Total comprehensive income for the year	-	40,318	-	-	-	133,995	174,313	54,041
Capital contribution by non-controlling shareholder of the subsidiary	-	-	-	-	-	-	-	8,217
Appropriations to reserve	-	-	-	-	2,801	(2,801)	-	-
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	(23,322)
At 31 December 2020	-	7,908	(40,027)	824	38,056	452,745	459,506	439,133

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000 (Note a)	Capital reserve HK\$'000	Statutory reserves HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000	HK\$'000
At 1 January 2021	-	7,908	(40,027)	824	38,056	452,745	459,506	439,133
(Loss)/Profit for the year	-	-	-	-	-	(48,055)	(48,055)	28,167
Exchange difference arising on translation to presentation currency	-	19,047	-	-	-	-	19,047	11,919
Total comprehensive (expense)/income for the year	-	19,047	-	-	-	(48,055)	(29,008)	40,086
Capital contribution by non-controlling shareholder of the subsidiary	-	-	-	-	-	-	-	(41)
Appropriations to reserve	-	-	-	-	301	(301)	-	-
Dividend distribution to non-controlling interests	-	-	-	-	-	-	-	(27,397)
At 31 December 2021	-	26,955	(40,027)	824	38,357	404,389	430,498	451,781

Notes:

- (a) The special reserve represents the difference between the nominal amount of share capital of Shanghai Allied Cement Holdings Limited and SAC Intellectual Properties Limited at the date on which they were acquired by Splendid Link Limited in 2010 at a consideration of HK\$40,027,000 and US\$1 respectively under the group reorganisations.
- (b) The statutory reserves represent the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China ("PRC") (based on the subsidiaries' PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserve reaches 50% of the registered capital of the subsidiaries. The statutory reserves cannot be reduced except either use to set off the accumulated losses or increase capital.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	20,681	204,224	41,567
Adjustments for:			
Amortisation and depreciation	19,357	20,548	20,738
(Reversal of impairment loss)/Impairment loss on trade and other receivables	(163)	(8,787)	25,862
Impairment loss on loans receivable	1,354	-	35,864
Finance costs	23,338	121,255	106,766
Impairment loss on property, plant and equipment	-	71,752	7,741
Impairment loss on goodwill	106	-	-
Interest income from loans receivable	(3,217)	(1,579)	(1,110)
Interest income from banks	(2,596)	(1,926)	(1,208)
Interest income from a related party	-	(827)	(4,522)
Reimbursement of finance costs incurred for prior years from former holding company	-	(247,972)	-
Income from the waiver of default interest on other borrowings	(202,168)	-	-
Written off of amount due from immediate holding company	347,649	-	-
Net loss on disposal and write-off of property, plant and equipment	2,684	4,768	1,241
Fair value gain on financial assets at fair value through profit or loss	(1,017)	(4,252)	(3,753)
Operating cash inflow before movements in working capital	206,008	157,204	229,186
Decrease/(Increase) in inventories	11,914	8,118	(13,039)
Decrease/(Increase) in trade and bills receivables	120,990	(150,510)	296,108
Decrease/(Increase) in other receivables, deposits and prepayments	140,817	79,556	(743,542)
(Decrease)/Increase in trade and bills payables	(106,456)	(18,626)	44,474
Increase/(Decrease) in other payables and deposits received	11,460	(74,887)	126,970
Cash generated from/(used in) operations	384,733	855	(59,843)
Income tax paid	(43,513)	(39,246)	(36,481)
Net Cash From/(Used In) Operating Activities	341,220	(38,391)	(96,324)

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	43	4,997	839
Refund from deposits for acquisition of property, plant and equipment	-	-	50,901
Purchase of property, plant and equipment	(37,738)	(67,139)	(12,602)
Advance of loans receivable	(10,352,562)	(5,845,262)	(2,099,102)
Repayment from a related party	-	94,014	36,958
Purchase of financial assets at fair value through profit or loss	(61,265)	(232,060)	(55,997)
Proceeds from redemption of loans receivable	10,175,691	5,799,802	2,099,114
Proceeds from redemption of financial assets at fair value through profit or loss	125,197	236,520	97,514
Placement of pledged bank deposits	(73,444)	(72,737)	(64,196)
Withdrawal of pledged bank deposits	109,079	56,314	44,253
Placement of restricted bank deposits	(1,673)	(1,140)	(4,304)
Interest received from loans receivable	3,181	1,642	678
Net cash inflow from acquisition of a subsidiary	19	-	-
Advance to former holding company	-	(1,085)	(85)
Other interest received	2,596	2,752	5,731
Net Cash (Used In)/From Investing Activities	<u>(110,876)</u>	<u>(23,382)</u>	<u>99,702</u>
FINANCING ACTIVITIES			
Capital contribution from a non-controlling shareholder of a subsidiary	-	8,217	-
Interest paid	(52,173)	(6,715)	(240)
Advance from immediate holding company	150,000	-	-
New bank and other borrowings raised	-	107,115	17,490
Repayment of bank and other borrowings	(277,114)	(18,585)	-
Dividends paid to non-controlling interests	(25,202)	(20,365)	(618)
Advance from non-controlling interests	45	101	59
Repayment of lease liabilities	(1,441)	(1,343)	(914)
Net Cash (Used In)/From Financing Activities	<u>(205,885)</u>	<u>68,425</u>	<u>15,777</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,459	6,652	19,155
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	86,945	66,048	53,807
Effect of foreign exchange rate changes	5,496	14,245	(6,914)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	<u>116,900</u>	<u>86,945</u>	<u>66,048</u>

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

1. GENERAL INFORMATION

This Accountants' Report contains the financial statements of Real Jade Limited and its subsidiaries (hereinafter, "the Group") which comprise the consolidated statements of financial position as at 31 December 2021, 31 December 2020 and 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the financial years ended 31 December 2021, 31 December 2020, and 31 December 2019, and a summary of significant accounting policies and other explanatory notes. The financial statements were prepared by management and approved by the Directors of the Company.

The Company is a limited company incorporated in the British Virgin Islands. As at 31 December 2021, the Company's immediate holding company is Minyi Holdings Limited ("Minyi"), a limited company incorporated in the British Virgin Islands and the Company's ultimate holding company is Mastery Holdings Limited, a limited company incorporated in the British Virgin Islands.

The address of the registered office of the Company is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and the principal place of business of the Company is 9th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 37.

The consolidated financial statements are prepared solely for the purposes of inclusion in Mudajaya Group Berhad ("Mudajaya")'s circular to shareholders of Mudajaya (the "Circular to Shareholders") in connection with the proposed acquisition of the Group by Mudajaya (the "Proposal"). As a result, the consolidated financial statements may not be suitable for any other purpose.

The functional currency of the Group is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$").

2. APPLICATION OF NEW AND AMENDMENTS TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRSs")/INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments to MFRSs/IFRSs issued by Malaysia International Accounting Standards Board ("MASB")/International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to MFRS 16/IFRS 16
Amendments to MFRS 9/IFRS 9,
MFRS 139/IAS 39, MFRS 17/IFRS 7,
MFRS 4/IFRS 4 and MFRS 16/IFRS 16

Covid-19-Related Rent Concessions
Interest Rate Benchmark Reform - Phase 2

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

2. APPLICATION OF NEW AND AMENDMENTS TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRSs")/INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

In addition, the Group has applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to MFRSs/IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and amendments to MFRSs/IFRSs that have been issued but are not yet effective:

MFRS 17/IFRS 17	Insurance Contracts and the related Amendments ³
Amendments to MFRS 17/IFRS 17	Initial Application of MFRS 9/IFRS 9 and MFRS 17/IFRS 17 - Comparative Information ³
Amendments to MFRS 4/IFRS 4	Extension of the Temporary Exemption from Applying MFRS 9/IFRS 9 ³
Amendments to MFRS 3/IFRS 3	Reference to the Conceptual Framework ²
Amendments to MFRS 10/IFRS 10 and MFRS 128/IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to MFRS 16/IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to MFRS 101/IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to MFRS 101/IAS 1	Disclosure of Accounting Policies ³
Amendments to MFRS 108/IAS 8	Definition of Accounting Estimates ³
Amendments to MFRS 112/IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to MFRS 116/IAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to MFRS 137/IAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to MFRSs/IFRSs	Annual Improvements to MFRSs/IFRSs 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors of the Company anticipate that the application of these new and amendments to MFRSs/IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of preparation of consolidated financial statements*

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, and in accordance with MFRSs/IFRSs issued by the Malaysian Accounting Standards Board ("MASB")/International Accounting Standards Board ("IASB").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2/IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16/IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102/IAS 2 *Inventories* or value in use in MFRS 136/IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies*Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedBusiness combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in MFRS 16/IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under MFRS 9/IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedBusiness combinations - continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedRevenue from contracts with customers - continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedProperty, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the supply of goods or services, or for administrative purposes. Property, plant and equipment, other than construction in progress and owned properties as described below, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of construction in progress commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining right

On initial recognition, mining right acquired separately is recognised at cost. After initial recognition, mining right is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for mining right is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible assets, mining right and right-of-use assets below).

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedImpairment of tangible assets, mining right and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets, mining right and right-of-use assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of tangible assets, mining right and right-of-use assets is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedImpairment of tangible assets, mining right and right-of-use assets - continued

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Leases**Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under MFRS 16/IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedLeases - continued**The Group as a lessee***Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under MFRS 9/IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedLeases - continued**The Group as a lessee** - continued*Lease liabilities* - continued

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedProperties held for sale

Properties held for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of MFRS 16/IFRS 16, properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated cost of completion and costs necessary to make the sale.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit or loss before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

3.2 *Significant accounting policies* - continuedTaxation - continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies MFRS 112/IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in consolidated profit or loss.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedBorrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowing.

All other borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange rate prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

3.2 *Significant accounting policies* - continuedRetirement benefit costs

Payments to Mandatory Provident Fund and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Government grants

Government grants are not recognised until there is reasonable assurance the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in consolidated profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in consolidated profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with MFRS 15/IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

3.2 *Significant accounting policies* - continuedFinancial instruments - continued

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - Continued

3.2 *Significant accounting policies* - continuedFinancial instruments - continued**Financial assets** - continued

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the line of "fair value gain on financial assets designated at fair value through profit or loss".

Impairment of financial assets subject to impairment under MFRS 9/IFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and bills receivables, other receivable, loan receivables, amount due from immediate holding company, time deposits, pledged bank deposits, restricted bank deposits and bank balances and cash) which are subject to impairment under MFRS 9/IFRS 9 *Financial Instruments*. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedFinancial instruments - continued**Financial assets** - continued*Impairment of financial assets subject to impairment under MFRS 9/IFRS 9* - continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedFinancial instruments - continued**Financial assets** - continued*Impairment of financial assets subject to impairment under MFRS 9/IFRS 9* - continued

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedFinancial instruments - continued

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and loans receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 *Significant accounting policies* - continuedFinancial instruments - continued**Financial liabilities and equity***Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and bills payables, other payables, amount due to immediate holding company, amounts due to related parties and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Provision of ECL for trade receivables, bill receivables, other receivables and loans receivables

Trade receivables, bill receivables, other receivables and loans receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, for trade receivables, bill receivables, other receivables and loans receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings. The provision of ECL is sensitive to changes in estimates.

Estimated impairment of property, plant and equipment, mining right and right-of-use assets

Property, plant and equipment, mining right and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2021, the carrying amounts of right-of-use assets, property, plant and equipment, mining right are HK\$8,129,000, HK\$306,345,000, and HK\$8,362,000 (2020: HK\$7,483,000, HK\$281,343,000, and HK\$8,438,000 and 2019: HK\$8,442,000, HK\$301,016,000, and HK\$8,224,000) respectively, after taking into account the accumulated impairment loss of HK\$79,493,000 (2020: HK\$79,493,000 and 2019: HK\$7,741,000) in respect of property, plant and equipment that has been recognised. Detail of the impairment of property, plant and equipment is disclosed in Note 10.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

5. REVENUE

Revenue represents the sales amount from the manufacturing and sales of cement and clinker, and trading of cement and provision of related services, net of discount and sales related tax.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Manufacture and sales of cement and clinker (Note i)	479,339	404,508	472,915
Trading of cement (Note i)	56,724	70,861	75,130
Manufacture and sales of building stones (Note i)	59,964	-	-
Provision of service on environmental protection and energy conservation (Note ii)	19,438	22,761	13,154
	<u>615,465</u>	<u>498,130</u>	<u>561,199</u>

Notes:

- (i) Revenue from manufacture and sales of cement, clinker and trading of cement and manufacture and sales of building stones is recognised at a point in time when the control of the goods is transferred to the customers upon delivery of the goods.
- (ii) The revenue is recognised over time based on output method. The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue is within one year (2020 and 2019: one year).

6. OTHER INCOME AND GAINS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Income from the waiver of default interest on other borrowings	202,168	-	-
Interest income from banks	2,596	1,926	1,208
Interest income from loans receivable	3,217	1,579	1,110
Interest income from a related party	-	827	4,522
Reimbursement of finance costs incurred for prior years from former holding company	-	247,972	-
Subsidy income	15,871	18,764	7,020
Sundry income	11,707	5,082	8,807
Net foreign exchange gain	1,979	-	-
	<u>237,538</u>	<u>276,150</u>	<u>22,667</u>

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

7. FINANCE COSTS

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Interests on bank borrowings	-	1,565	240
Interests on other borrowings	23,273	119,566	106,400
Interests on lease liabilities	65	124	126
	<u>23,338</u>	<u>121,255</u>	<u>106,766</u>

8. TAXATION

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Current tax			
PRC Enterprise Income Tax ("EIT")	41,614	36,202	43,745
Hong Kong Profits Tax	9	9	9
	<u>41,623</u>	<u>36,211</u>	<u>43,754</u>
(Over)/Under-provision in prior years			
PRC EIT	(3,139)	1,130	534
Hong Kong Profits Tax	(29)	-	-
	<u>(3,168)</u>	<u>1,130</u>	<u>534</u>
	38,455	37,341	44,288
Deferred tax (Note 28)	2,114	2,700	(2,820)
	<u>40,569</u>	<u>40,041</u>	<u>41,468</u>

The PRC EIT is calculated at the rates applicable to respective subsidiaries. According to the PRC tax laws and regulations, a subsidiary established in the PRC, which was recognised as the High and New Technology Enterprise in Shandong Province, is entitled to enjoy the preferential tax rate at 15% for the year ended 31 December 2021 (2020 and 2019: 15%). The applicable tax rate for other subsidiaries established in the PRC is 25% (2020 and 2019: 25%) for the year ended 31 December 2021. A subsidiary incorporated in Hong Kong is subject to withholding tax charged on the interest income from lendings to a PRC subsidiary at the withholding tax rate prevailing in the PRC under the Enterprise Income Tax Law of the PRC.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25% and assessable profits above HK\$2 million will be taxed at 16.5%. The profits of group entity not qualifying for the two-tiered profits tax regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% of the estimated assessable profits above HK\$2 million for the year ended 31 December 2021, 31 December 2020 and 31 December 2019.

ACCOUNTANTS' REPORT ON REAL JADE

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8. TAXATION - continued

The taxation for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Profit before taxation	<u>20,681</u>	<u>204,224</u>	<u>41,567</u>
Tax expense at the domestic income tax rate of 25%	5,170	51,056	10,392
Tax effect of expenses not deductible for tax purpose	101,087	36,831	37,790
Tax effect of income not taxable for tax purpose	(56,518)	(62,018)	(14)
Tax effect of deductible temporary differences not recognised	(2,688)	19,890	(95)
Tax effect of preferential tax rate	(10,061)	(10,941)	(14,325)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(606)	(594)	(607)
Withholding tax on undistributed earnings	7,358	4,463	6,730
(Over)/Under-provision in prior years	(3,168)	1,130	534
Utilisation of tax loss previously not recognised	-	(245)	(330)
Others	(5)	469	1,393
Taxation for the year	<u>40,569</u>	<u>40,041</u>	<u>41,468</u>

9. (LOSS)/PROFIT FOR THE YEAR

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
(Loss)/Profit for the year has been arrived at after charging/(crediting):			
Staff costs (included Directors' emoluments)			
Salaries and other costs	30,483	35,948	26,112
Contributions to retirement benefits schemes	2,875	1,868	3,974
	<u>33,358</u>	<u>37,816</u>	<u>30,086</u>

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9. (LOSS)/PROFIT FOR THE YEAR - continued

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Auditor's remuneration	1,247	331	537
Cost of inventories recognised as expenses	391,564	307,484	299,124
Amortisation of mining right (Note 13)	305	286	289
Depreciation of property, plant and equipment (Note 10)	17,533	18,843	19,429
Depreciation of right-of-use assets (Note 11)	1,519	1,419	1,020
Impairment loss on loans receivable	1,354	-	35,864
Impairment loss on property, plant and equipment (Note 10)	-	71,752	7,741
Impairment loss on goodwill (Note 36)	106	-	-
Net loss on disposal and write-off of property, plant and equipment	2,684	4,768	1,241
Government grants under Employment Support Scheme (included in administrative expenses) (Note a)	-	(162)	-
(Reversal of impairment loss)/Impairment loss on trade and other receivables	<u>(163)</u>	<u>(8,787)</u>	<u>25,862</u>

Note:

- (a) In 2020, the Group recognised government grants in respect of the COVID-19 related subsidies of HK\$162,000 which relates to Employment Support Scheme provided by the Hong Kong Government.

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10. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings and structures</u> HK\$'000	<u>Leasehold improvements</u> HK\$'000	<u>Plant and machinery</u> HK\$'000	<u>Furniture, fixtures and equipment</u> HK\$'000	<u>Motor vehicles</u> HK\$'000	<u>Construction in progress</u> HK\$'000	<u>Total</u> HK\$'000
COST							
At 1 January 2019	254,722	3,200	243,313	6,762	4,106	159	512,262
Additions	-	-	6,125	469	595	5,412	12,601
Transfer	3,164	-	2,405	-	-	(5,569)	-
Disposals and write-off	-	-	(6,797)	(216)	(511)	-	(7,524)
Exchange realignment	(4,479)	(56)	(4,302)	(119)	(73)	(2)	(9,031)
At 31 December 2019	253,407	3,144	240,744	6,896	4,117	-	508,308
Additions	144	-	8,112	1,874	298	56,711	67,139
Disposals and write-off	(12,852)	-	(5,375)	(19)	(295)	-	(18,541)
Exchange realignment	15,862	197	15,155	432	258	-	31,904
At 31 December 2020	256,561	3,341	258,636	9,183	4,378	56,711	588,810
Additions	388	-	7,218	2,465	1,044	26,623	37,738
Transfer	37,015	-	41,276	(7)	-	(78,284)	-
Disposals and write-off	(463)	-	(7,224)	(136)	(229)	-	(8,052)
Exchange realignment	7,124	92	7,218	254	122	1,575	16,385
At 31 December 2021	300,625	3,433	307,124	11,759	5,315	6,625	634,881

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	<u>Buildings and structures</u> HK\$'000	<u>Leasehold improvements</u> HK\$'000	<u>Plant and machinery</u> HK\$'000	<u>Furniture, fixtures and equipment</u> HK\$'000	<u>Motor vehicles</u> HK\$'000	<u>Construction in progress</u> HK\$'000	<u>Total</u> HK\$'000
DEPRECIATION							
At 1 January 2019	59,441	864	122,888	4,635	1,595	-	189,423
Provided for the year (Note 9)	6,328	115	11,584	797	605	-	19,429
Eliminated on disposal and write-off	-	-	(4,843)	(196)	(443)	-	(5,482)
Exchange realignment	(1,156)	(16)	(2,512)	(96)	(39)	-	(3,819)
At 31 December 2019	64,613	963	127,117	5,140	1,718	-	199,551
Provided for the year (Note 9)	6,276	114	11,149	654	650	-	18,843
Eliminated on disposals and write-off	(4,912)	-	(3,061)	(17)	(266)	-	(8,256)
Exchange realignment	4,379	66	12,891	357	143	-	17,836
At 31 December 2020	70,356	1,143	148,096	6,134	2,245	-	227,974
Provided for the year (Note 9)	7,029	121	8,787	839	757	-	17,533
Eliminated on disposals and write-off	(292)	-	(4,760)	(48)	(183)	-	(5,283)
Exchange realignment	2,059	33	6,470	183	74	-	8,819
At 31 December 2021	79,152	1,297	158,593	7,108	2,893	-	249,043

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	Buildings and structures HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
IMPAIRMENT LOSS							
At 1 January 2019	-	-	-	-	-	-	-
Provided for the year (Note 9)	-	-	7,741	-	-	-	7,741
At 31 December 2019	-	-	7,741	-	-	-	7,741
Provided for the year (Note 9)	-	-	71,752	-	-	-	71,752
At 31 December 2020/							
At 31 December 2021	-	-	79,493	-	-	-	79,493
CARRYING VALUES							
At 31 December 2021	221,473	2,136	69,038	4,651	2,422	6,625	306,345
At 31 December 2020	186,205	2,198	31,047	3,049	2,133	56,711	281,343
At 31 December 2019	188,794	2,181	105,886	1,756	2,399	-	301,016

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10. PROPERTY, PLANT AND EQUIPMENT - continued

The above property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings and structures	2.5% - 9%
Leasehold improvements	4.5% - 18%
Plant and machinery	5% - 9%
Furniture, fixtures and equipment	9% - 20%
Motor vehicles	18% - 33.3%

The buildings of the Group are situated on the leasehold land in the PRC.

As at 31 December 2021, the Group pledged its buildings and structures with aggregate carrying amount of HK\$47,912,000 (2020: HK\$47,779,000 and 2019: HK\$46,461,000) to secure short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK\$122,309,000 (2020: HK\$202,798,000 and 2019: HK\$222,511,000). As at 31 December 2020, there were certain machinery with carrying amounts of HK\$13,231,000 (2019: HK\$Nil) being pledged to secure other borrowings to the extent of HK\$47,655,000 (2019: HK\$Nil) incurred by the Group. Details of the pledge of assets referred to Note 34.

11. RIGHT-OF-USE ASSETS

	Leasehold lands HK\$'000	Leased properties HK\$'000	Total HK\$'000
As at 31 December 2021			
Carrying amount	5,889	2,240	8,129
As at 31 December 2020			
Carrying amount	5,915	1,568	7,483
As at 31 December 2019			
Carrying amount	5,741	2,701	8,442
For the year ended 31 December 2021			
Depreciation charge (Note 9)	188	1,331	1,519
Total cash outflow for leases	-	1,440	1,440
For the year ended 31 December 2020			
Depreciation charge (Note 9)	176	1,243	1,419
Total cash outflow for leases	-	1,343	1,343
For the year ended 31 December 2019			
Depreciation charge (Note 9)	178	842	1,020
Total cash outflow for leases	-	914	914

Land use rights are granted by the relevant PRC government authorities to use certain land areas located in Shandong, the PRC, and are depreciated over the remaining term of leases.

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11. RIGHT-OF-USE ASSETS - continued

In addition, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of two to three years. Lease terms are on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period of which the contract is enforceable.

As at 31 December 2021, the Group pledged right-of-use assets on land use rights with carrying amount of HK\$750,000 (2020: HK\$775,000 and 2019: HK\$743,000) to secure short-term bank facilities in respect of the issuance of bills payable. Details of the pledge of assets referred to Note 34.

12. DEPOSITS FOR EQUIPMENT AND MACHINERIES

On 28 September 2012, the Group entered into three purchase agreements for the purchases of certain equipment and machineries at the aggregate consideration of RMB380,000,000 (equivalent to approximately HK\$425,580,000). The equipment and machineries under the three purchase agreements were purchased for future use in the development of new cement production facilities at Bailonggang, Pudong, Shanghai ("Bailonggang Project") and the Group does not intend to retain such equipment and machineries for its own use. As at 31 December 2018, the Group has settled the respective first payments of the total consideration in an aggregate amount of RMB68,270,000 (equivalent to approximately HK\$77,827,000) under the three purchase agreements. On 23 April 2019, the Group has agreed to cancel one of the purchase agreements with a consideration of RMB235,000,000 (equivalent to approximately HK\$263,187,000) with the seller and the respective first payment of RMB44,650,000 (equivalent to HK\$50,006,000) has been refunded. As at 31 December 2021, the respective first payments of the remaining two purchase agreements made by the Group is RMB23,620,000 (equivalent to approximately HK\$28,890,000) [2020: RMB23,620,000 (equivalent to approximately HK\$28,109,000) and 2019: RMB23,620,000 (equivalent to approximately HK\$26,453,000)].

On 18 January 2020, the Group entered into two purchase agreements for the purchases of certain equipment and machineries at the aggregate consideration of RMB99,000,000 (equivalent to approximately HK\$117,815,000). In 2020, the Group also entered into a further three purchase agreements for the purchases of certain equipment and machineries at the aggregate consideration of RMB9,855,000 (equivalent to approximately HK\$11,728,000).

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13. MINING RIGHT

HK\$'000

COST

At 1 January 2019	11,450
Exchange realignment	(202)

At 31 December 2019	11,248
Exchange realignment	704

At 31 December 2020	11,952
Exchange realignment	332

At 31 December 2021	12,284
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AMORTISATION

At 1 January 2019	2,790
Charge for the year (Note 9)	289
Exchange realignment	(55)

At 31 December 2019	3,024
Charge for the year (Note 9)	286
Exchange realignment	204

At 31 December 2020	3,514
Charge for the year (Note 9)	305
Exchange realignment	103

At 31 December 2021	3,922
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CARRYING VALUE

At 31 December 2021	8,362
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At 31 December 2020	8,438
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At 31 December 2019	8,224
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The license period for the mining of limestone quarry located in the PRC is 10 years and renewable for another 10 years or more at minimal charges. The mining right is amortised on a straight-line basis over its estimated useful life of 50 years.

As at 31 December 2020, the mining right with carrying amount of HK\$8,438,000 (2019: HK\$Nil) was being pledged to secure other borrowings to the extent of HK\$47,655,000 (2019: HK\$Nil) incurred by the Group. Details of the pledge of assets referred to Note 34.

14. PLEDGED BANK DEPOSITS

As at 31 December 2021, 2020 and 2019, the bank deposits are pledged as security for the Group's short-term bank facilities in respect of the issuance of bills payable to suppliers. Details of the pledge of assets referred to Note 34.

15. PROPERTIES HELD FOR SALE

The balance represents a completed property located in the PRC.

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16. INVENTORIES

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Raw materials	7,979	14,106	20,861
Work in progress	3,313	60	505
Finished goods	11,628	19,727	18,169
	<u>22,920</u>	<u>33,893</u>	<u>39,535</u>

17. TRADE AND BILLS RECEIVABLES

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	55,588	55,252	56,577
Less: Allowance for trade receivables	(4,276)	(2,030)	(1,570)
	<u>51,312</u>	<u>53,222</u>	<u>55,007</u>
Bills receivables	213,358	322,409	153,185
	<u>264,670</u>	<u>375,631</u>	<u>208,192</u>

The Group has a policy of allowing its trade customers credit periods normally ranging from 30 days to 1 year (2020 and 2019: 30 days to 1 year).

Before accepting any new customer, the Group will assess the potential customer's credit quality and define credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Approximately 100% (2020: 99% and 2019: 100%) of the trade and bills receivables after allowance were neither past due nor impaired. Management of the Group is of the opinion that the credit quality of the trade and bills receivables balances that are neither past due nor impaired at the end of the reporting period is of good quality and these customers have long term relationship with the Group.

At 31 December 2021, there is no trade and bills receivables balances of the Group (2020: HK\$1,957,000 and 2019: HK\$504,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

At 31 December 2021, included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$179,000 (2020: HK\$176,000 and 2019: HK\$498,000) which included amounts in dispute with debtors or amounts have been placed under liquidation and in severe financial difficulties. The Group does not hold any collateral over these balances.

At 31 December 2021, the Group has not pledged any bills receivables (2020: HK\$11,629,000 and 2019: HK\$Nil) to secure for short-term bank facilities in respect of the issuance of bills payable.

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17. TRADE AND BILLS RECEIVABLES - continued

As at 31 December 2020, there were certain bills receivables with carrying amounts of HK\$59,459,000 (2019: HK\$Nil) being pledged to secure bank borrowings to the extent of HK\$59,459,000 (2019: HK\$Nil) granted to the Group. Details of the pledge of assets referred to Note 34.

Details of impairment assessment of trade and bills receivables are set out in Note 33.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Other receivables (Note a)	690,796	785,962	868,701
Less: Allowance for other receivables	(20,129)	(20,134)	(29,286)
	<u>670,667</u>	<u>765,828</u>	<u>839,415</u>
Advance to suppliers	41,213	65,195	12,121
Deposits paid	705	577	643
Prepayments	3,358	1,270	1,582
Bank interest income receivable	256	144	172
	<u>716,199</u>	<u>833,014</u>	<u>853,933</u>

Note:

- (a) The balance mainly represented the receivables from the customers on behalf of the suppliers. As according to the Group's practice, the Group acts as an agent and sells the goods to the customers on behalf of suppliers with a mark-up of 6%. The remaining balance will be repaid to the suppliers.

At 31 December 2021, included in the allowance for bad and doubtful debts are individually impaired other receivables with an aggregate balance of HK\$20,129,000 (2020: HK\$20,134,000 and 2019: HK\$29,286,000) which included amounts in dispute with receivables or amounts have been placed under liquidation and in severe financial difficulties. The Group does not hold any collateral over these balances.

Details of impairment assessment of other receivables are set out in Note 33.

19. LOANS RECEIVABLE

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Reverse repurchase agreements (Note a)	210,859	63,332	16,799
Other loans receivable	69,666	37,439	35,233
Less: Allowance for other loans receivable	(39,852)	(37,439)	(35,233)
	<u>240,673</u>	<u>63,332</u>	<u>16,799</u>

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19. LOANS RECEIVABLE - continued

Note:

- (a) During the year ended 31 December 2021, the Group, as the reverse repo party, entered into pledge-style bond repo transactions that were denominated in RMB with the aggregate principal amount of RMB8,438,755,000 (equivalent to HK\$10,321,374,000) [2020: RMB4,911,774,000 (equivalent to HK\$5,845,262,000) and 2019: RMB1,874,288,000 (equivalent to HK\$2,099,102,000)] through the Shanghai Stock Exchange with maturity periods from 1 day to 28 days and carried interest ranging from 1.62% to 5.32% (2020: 1.10% to 4.60% and 2019: 1.75% to 7.15%) per annum. Such reverse repurchase agreements are classified as financial assets at amortised cost.

During the year ended 31 December 2021, reverse repurchase agreements with aggregate principal amount of RMB8,139,645,000 (equivalent to HK\$10,175,691,000) [2020: RMB4,873,574,000 (equivalent to HK\$5,799,802,000) and 2019: RMB1,874,299,000 (equivalent to HK\$2,099,114,000)] had matured and been redeemed.

At 31 December 2021, included in the allowance for bad and doubtful debts are individually impaired other loans receivable with an aggregate balance of HK\$39,852,000 (2020: HK\$37,439,000 and 2019: HK\$35,233,000) which included amounts in dispute with receivables or amounts have been placed under liquidation and in severe financial difficulties. The Group does not hold any collateral over these balances.

Details of impairment assessment of other loans receivable are set out in Note 33.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Equity securities listed outside Hong Kong (Note a)	-	-	245
Structured deposits (Note b)	-	61,201	57,333
	<u>-</u>	<u>61,201</u>	<u>57,578</u>

Note:

- (a) Equity securities are stated at fair value which is determined based on the quoted market bid price available on the relevant stock exchanges.
- (b) Structured deposits represent products issued by the banks which pay interest rates (i) which has an inverse relationship to the market interest rate and (ii) which linked to the fluctuation of foreign exchange rate.

At 31 December 2021, the Group does not hold principal protected structured deposits that were denominated in RMB with the aggregate principal amount [(2020: RMB50,000,000 (equivalent to HK\$59,589,000) and 2019: RMB50,000,000 (equivalent to HK\$55,998,000))] with banks with maturity periods from Nil (2020: 3 months to 12 months and 2019: 12 months).

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

Structured deposits with aggregate principal amount of RMB50,090,000 (equivalent to HK\$61,264,000) [2020: RMB195,000,000 (equivalent to HK\$220,339,000) and 2019: RMB84,000,000 (equivalent to HK\$94,075,000)] had matured and been redeemed at RMB102,361,000 (equivalent to HK\$125,197,000) [2020: RMB198,671,000 (equivalent to HK\$224,487,000) and 2019: RMB87,061,000 (equivalent to HK\$97,503,000)] during the year ended 31 December 2021 and resulted in fair value gains on financial assets at fair value through profit or loss of RMB844,000 (equivalent to HK\$1,017,000) [2020: RMB2,480,000 (equivalent to HK\$2,802,000) and 2019: RMB2,104,000 (equivalent to HK\$2,423,000)] for the year ended 31 December 2021.

These structured deposits do not meet the solely payments of principal and interest on the principal amount outstanding. Such structured deposits are designated as financial assets at fair value through profit or loss on initial recognition.

The fair values of structured deposits classified as financial assets at fair value through profit or loss as at 31 December 2020 have been arrived at the basis on the valuation carried out at that date by Norton Appraisals Holdings Limited, a firm of independent and qualified professional valuers not connected with the Group, and resulted in a fair value gain on financial assets at fair value through profit or loss of RMB1,427,000 (equivalent to HK\$1,612,000) [2019: RMB1,192,000 (equivalent to HK\$1,335,000)] for the year ended 31 December 2020.

As at 31 December 2021, the Group has not pledged exchange rate linked structured deposits (2020: HK\$61,201,000 and 2019: HK\$57,333,000) to secure short-term bank facilities in respect of the issuance of bills payable. Details of the pledge of assets referred to Note 34.

21. AMOUNT DUE (TO)/FROM IMMEDIATE HOLDING COMPANY

The amount due (to)/from immediate holding company are unsecured, interest-free and are repayable on demand.

During the year ended 31 December 2020, former holding company, Fortunate Gold agreed to reimburse a total amount of HK\$247,972,000 for the finance cost incurred for the prior years. The Group had recognised the amount as "Reimbursement of finance costs incurred for prior years from former holding company" as set out in Note 6.

A novation deed which dated 21 December 2020 was signed with Minyi and Fortunate Gold, pursuant to which, Fortunate Gold released and discharged all of its liabilities and obligations as the borrower of the sum of HK\$347,649,000 and substituted Minyi as the borrower in place of Fortunate Gold following the completion of the transaction. As a result, the amount due from former holding company has been transferred to amount due from immediate holding company, which is Minyi, at HK\$347,649,000 as at 31 December 2020.

During the year, Minyi has resolved by a shareholder's resolution to instruct the Company to waive the debt amounting to HK\$347,649,000 unconditionally and irrevocable without any forms of compensation. The waiver of the amount is recognised as an expense in the consolidated statements of profit or loss and other comprehensive income.

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22. AMOUNTS DUE (TO)/FROM RELATED PARTIES

The amounts due (to)/from related parties are unsecured, interest-free and are repayable on demand.

The related parties represents the non-controlling shareholders of the Group's subsidiary.

23. BANK BALANCES AND CASH AND RESTRICTED BANK DEPOSITS AND TIME DEPOSITS

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Unrestricted balances	116,900	86,945	66,048
Restricted bank deposits	8,770	6,905	5,426
Time deposits	12,231	-	-
Total	<u>137,901</u>	<u>93,850</u>	<u>71,474</u>

Bank balances and cash, restricted bank deposits and time deposits are denominated in the following currencies:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
United States Dollars ("US\$")	20	8,236	16
Ren Min Bi ("RMB")	124,056	77,201	70,605
Hong Kong Dollar ("HKD\$")	13,825	8,413	853
	<u>137,901</u>	<u>93,850</u>	<u>71,474</u>

Bank balances held by the Group carried interest at market rates which range from 0.00% to 0.35% (2020 and 2019: 0.00% to 0.40%) per annum.

24. OTHER PAYABLES AND DEPOSITS RECEIVED

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Payable for acquisition of property, plant and equipment	-	-	26
Other tax payables	29,961	26,431	30,175
Other payables (Note a)	159,468	145,290	192,552
Other accrued operating expenses	8,760	7,189	8,388
Interest payable (Note b)	5,550	235,640	117,800
Deposits received	411	732	359
	<u>204,150</u>	<u>415,282</u>	<u>349,300</u>

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24. OTHER PAYABLES AND DEPOSITS RECEIVED - continued

Notes:

- (a) The balance mainly represented the payables to the suppliers on behalf of the customers. As according to the Group's practice, the Group acts as an agent and sells the goods to the customers on behalf of suppliers. The remaining balance will be repaid to the suppliers.
- (b) The balance represented the interest payable of other borrowings at the interest rate of 6% (2020 and 2019: 30%) per annum.

25. CONTRACT LIABILITIES

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Receipt in advance from customers	<u>10,021</u>	<u>6,418</u>	<u>10,357</u>

The contract liabilities represent the Group's obligation to transfer performance obligation to customers for which the Group has received consideration from the customers.

Movements in contract liabilities:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Balance at 1 January	6,418	10,357	18,736
Increase in contract liabilities as a result of receiving consideration	8,703	5,034	7,901
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the beginning of the year	(5,265)	(9,307)	(16,103)
Exchange realignment	<u>165</u>	<u>334</u>	<u>(177)</u>
Balance at 31 December	<u>10,021</u>	<u>6,418</u>	<u>10,357</u>

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26. BANK AND OTHER BORROWINGS

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Secured bank borrowing (Note a)	-	59,459	17,490
Secured other borrowings (Note b)	210,000	47,655	-
Unsecured other borrowings (Note c)	-	380,000	380,000
	<u>210,000</u>	<u>487,114</u>	<u>397,490</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(80,000)</u>	<u>(439,459)</u>	<u>(397,490)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>130,000</u>	<u>47,655</u>	<u>-</u>

Notes:

- (a) In 2020 and 2019, the Group's bank borrowing was secured, bore interests at fixed rates and was repayable within one year (2019: one year) as at reporting year end date. The effective interest rate of bank borrowing was ranging from 3.0% to 4.5% (2019: 3.0% to 4.5%) per annum.
- (b) The Group's other borrowings were granted by independent third parties. They were secured, bore interests at fixed rates and were repayable within three years (2020: three years) as at the reporting year end date. The effective interest rate of other borrowings was 6% (2020: 18.5% to 28.3%) per annum.
- (c) In 2020 and 2019, the Group's other borrowings were granted by independent third parties. They were unsecured and bore interests at fixed rates. The effective interest rate of other borrowings was 30% (2019: 30%) per annum.

Details of the assets of the Group pledged to secure bank borrowings are set out in Note 34.

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27. LEASE LIABILITIES

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Lease liabilities payable:			
Within one year	1,127	1,232	1,204
Within a period of more than one year but not more than two years	665	414	1,161
Within a period of more than two years but not more than five years	596	-	389
	<u>2,388</u>	<u>1,646</u>	<u>2,754</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(1,127)</u>	<u>(1,232)</u>	<u>(1,204)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>1,261</u>	<u>414</u>	<u>1,550</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 3% to 6% per annum (2020 and 2019: 3% to 6% per annum).

28. DEFERRED TAXATION

At the end of the reporting period and during the current and prior year, deferred tax liabilities were recognised in respect of the temporary differences attributable to the following:

	Accelerated tax depreciation HK\$'000	Allowance for doubtful debts HK\$'000	Withholding tax on undistributed earnings HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2019	28,489	(11,724)	3,064	173	20,002
(Credit)/Charge to profit or loss	-	(6,444)	3,548	76	(2,820)
Exchange differences	(501)	320	(116)	(5)	(302)
At 31 December 2019	27,988	(17,848)	6,496	244	16,880
Charge to profit or loss	-	2,193	356	151	2,700
Exchange differences	1,752	(1,001)	426	23	1,200
At 31 December 2020	29,740	(16,656)	7,278	418	20,780
Charge/(Credit) to profit or loss	-	(85)	2,627	(428)	2,114
Exchange differences	826	(464)	242	5	609
At 31 December 2021	<u>30,566</u>	<u>(17,205)</u>	<u>10,147</u>	<u>(5)</u>	<u>23,503</u>

The Group has estimated unused tax losses of approximately HK\$104,894,000 (2020: HK\$105,046,000 and 2019: HK\$106,024,000) at 31 December 2021, which were available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unused tax losses of approximately HK\$9,253,000 (2020: HK\$9,405,000; 2019: HK\$10,383,000) at 31 December 2021 will gradually expire in five years and the remaining unused tax losses may be carried forward indefinitely.

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REAL JADE LIMITED

28. DEFERRED TAXATION - continued

Details of deductible temporary differences which have not been recognised in the consolidated financial statements due to uncertainty of realisation are as follows:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Temporary differences arising from			
Property, plant and equipment	74,436	86,077	9,271
Others	4,023	3,134	380
	<u>78,459</u>	<u>89,211</u>	<u>9,651</u>

29. SHARE CAPITAL

	<u>2021 and 2020</u> No. of shares	US\$
Authorised:		
50,000 ordinary shares with a par value of US\$1	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
1 ordinary share with a par value of US\$1	<u>1</u>	<u>1</u>
		HK\$'000
Shown in the consolidated financial statements		<u>-</u>

30. CAPITAL COMMITMENTS

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Capital commitments contracted for but not provided in the consolidated financial statements in respect of:			
Capital contribution to a joint venture (Note)	460,347	447,911	421,525
Acquisition of property, plant and equipment	1,010	79,497	-
	<u>461,357</u>	<u>527,408</u>	<u>421,525</u>

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REAL JADE LIMITED

30. CAPITAL COMMITMENTS - continued

Note:

On 15 February 2012, Shanghai Allied Cement Co., Ltd ("Shanghai SAC") entered into the 《關於建設"白龍港項目"合作協議》 (Bailonggang Project Construction Cooperation Agreement*) ("Cooperation Agreement") and the 《關於設立合資公司(原則)協議》 (Principle Agreement for the Establishment of the Joint Venture Company*) ("JV Principle Agreement") with 上海建材(集團)有限公司 (Shanghai Building Material (Group) Company Limited*) (formerly known as 上海建築材料(集團)總公司 (Shanghai Building Material (Group) General Company*)) ("Shanghai Building Material"), a state-owned enterprise, for the purpose of setting up a joint venture company ("JV Company") pursuant to the terms and conditions therein on 13 February 2012. Pursuant to the Cooperation Agreement, Shanghai Building Material and Shanghai SAC agreed to establish the JV Company to operate and manage the Bailonggang Project under the terms of the JV Principle Agreement after the relevant government approvals for the Bailonggang Project being obtained. The commitment on capital contribution to a joint venture represents the 50% share of registered capital of the JV Company by the Group amounting to RMB400,000,000 (equivalent to approximately HK\$489,237,000 [2020: RMB400,000,000 (equivalent to approximately HK\$476,020,000) and 2019: RMB400,000,000 (equivalent to approximately HK\$447,978,000)]).

On 28 September 2012, Shanghai SAC entered into three purchase agreements for the purchases of certain equipment and machineries at the aggregate consideration of RMB380,000,000 (equivalent to approximately HK\$425,580,000). As at 31 December 2018, Shanghai SAC has settled the respective first payment of the total consideration in an aggregate amount of RMB68,270,000 (equivalent to approximately HK\$77,827,000) under the three purchase agreements. On 23 April 2019, Shanghai SAC has agreed to cancel one of the purchase agreements with consideration of RMB235,000,000 (equivalent to approximately HK\$263,187,000) with the seller and the respective first payment of RMB44,650,000 (equivalent to approximately HK\$50,006,000) has been refunded. As at 31 December 2021, the respective first payment of the remaining two purchase agreements made by Shanghai SAC is RMB23,620,000 (equivalent to approximately HK\$28,890,000) [2020: RMB23,620,000 (equivalent to approximately HK\$28,109,000) and 2019: RMB23,620,000 (equivalent to approximately HK\$26,453,000)]. The equipment and machineries under the two purchase agreements were purchased for future use in the Bailonggang Project and the Group does not intend to retain such equipment and machineries for its own use. After the JV Company is established, Shanghai SAC may transfer, by way of disposal or otherwise, the equipment and machineries purchased at cost or novate the rights and obligations of the purchase agreements at cost to the JV Company in accordance with the relevant PRC rules and regulations, or subject to the relevant PRC rules and regulations, may transfer such equipment and machineries at cost by way of contribution in kind to satisfy its proportion of the registered capital of the JV Company.

Since the equipment and machineries under the purchase agreements were purchased for future use in the Bailonggang Project, the total commitment of the Group to the Bailonggang Project, including the commitment under the two purchase agreements, would be limited to RMB376,380,000 (equivalent to approximately HK\$460,347,000 [2020: RMB376,380,000 (equivalent to approximately HK\$447,911,000) and 2019: RMB376,380,000 (equivalent to approximately HK\$421,525,000)] being the commitment on capital contribution to a joint venture.

* For identification purposes only

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED**31. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which mainly includes bank and other borrowings disclosed in Note 26, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. The Directors of the Company review the capital structure on an annual basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through issuance of new shares and share buy-back as well as the issuance of new debts or the redemption of existing debts.

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32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank and other <u>borrowings</u> HK\$'000	Interest <u>payables</u> HK\$'000	Amounts due to related parties HK\$'000	Lease <u>liabilities</u> HK\$'000	<u>Total</u> HK\$'000
As at 1 January 2019	380,000	11,400	8,979	-	400,379
Finance cost	-	106,640	-	126	106,766
Exchange adjustments	-	-	507	13	520
New lease entered	-	-	-	3,529	3,529
Dividend declared to non-controlling interests	-	-	13,158	-	13,158
Financing cash flows	17,490	(240)	(559)	(914)	15,777
At 31 December 2019	397,490	117,800	22,085	2,754	540,129
Finance cost	-	121,131	-	124	121,255
Interest included in cost of sales	-	3,251	-	-	3,251
Exchange adjustments	1,094	173	1,372	103	2,742
New lease entered	-	-	-	192	192
Dividend declared to non-controlling interests	-	-	23,322	-	23,322
Others	-	-	-	(184)	(184)
Financing cash flows	88,530	(6,715)	(20,264)	(1,343)	60,208
At 31 December 2020	487,114	235,640	26,515	1,646	750,915
Finance cost	-	23,273	-	65	23,338
Interest included in cost of sales	-	978	-	-	978
Exchange adjustments	-	-	972	26	998
New leases entered	-	-	-	2,092	2,092
Dividend declared to non-controlling interests	-	-	27,397	-	27,397
Wavier of default interest on other borrowings	-	(202,168)	-	-	(202,168)
Financing cash flows	(277,114)	(52,173)	(25,157)	(1,441)	(355,885)
At 31 December 2021	210,000	5,550	29,727	2,388	247,665

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REAL JADE LIMITED

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Financial assets at amortised costs			
Trade and bills receivables	264,670	375,631	208,192
Other receivables (included in other receivables, deposits and prepayments)	670,923	765,972	839,587
Loans receivable	240,673	63,332	16,799
Amount due from immediate holding company	-	347,649	-
Amount due from former holding company	-	-	98,592
Amounts due from related parties	-	-	88,476
Time deposits	12,231	-	-
Pledged bank deposits	39,121	84,638	64,196
Restricted bank deposits	8,770	6,905	5,426
Bank balances and cash	116,900	86,945	66,048
	<u>1,353,288</u>	<u>1,731,072</u>	<u>1,387,316</u>
Financial assets at fair value through profit or loss	<u>-</u>	<u>61,201</u>	<u>57,578</u>
Financial liabilities at amortised costs			
Trade and bills payables	159,692	258,958	261,232
Other payables (included in other payables and deposits received)	173,778	388,119	318,766
Amount due to immediate holding company	150,000	-	-
Amounts due to related parties	29,727	26,515	22,085
Other borrowings	210,000	487,114	397,490
Lease liabilities	2,388	1,646	2,754
	<u>725,585</u>	<u>1,162,352</u>	<u>1,002,327</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, loans receivable, amount due from immediate holding company, amount due from former holding company, amount due from related parties, time deposits, pledged bank deposits, restricted bank deposits, bank balances and cash, financial assets at fair value through profit or loss, trade and bills payables, other payables, amount due to immediate holding company, amounts due to related parties, bank and other borrowings and lease liabilities.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

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REAL JADE LIMITED

33. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued**Market risk***Interest rate risk*

As at 31 December 2021, the Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, loans receivable and other borrowings (2020 and 2019: fixed-rate pledged bank deposits, loans receivable and bank and other borrowings). The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (2020 and 2019: bank balances).

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, management monitors interest rate exposure and will consider necessary actions when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the interest-bearing financial assets and financial liabilities outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank balances are used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate interest-bearing bank balances (2020: variable-rate interest-bearing bank balances and 2019: variable-rate interest-bearing bank balances) had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2021 would decrease/increase HK\$456,000 (2020: profit for the year increase/decrease HK\$337,000 and 2019: profit for the year increase/decrease HK\$31,000).

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management closely monitors the price risk and will consider hedging the risk exposure should the need arise. The management considers the exposure of other price risk for its investments is not significant. Accordingly, no sensitivity analysis is presented.

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REAL JADE LIMITED

33. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued**Market risk** - continued*Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group's operations are mainly in the PRC other than Hong Kong. As at 31 December 2021, 2020 and 2019, the Group has bank balances, amounts due to related parties and bank and other borrowings denominated in HK\$ which is the currency other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of monetary assets and monetary liabilities that are denominated in HK\$, which is a currency other than the functional currency of the group entities are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Assets	13,825	16,649	852
Liabilities	<u>368,820</u>	<u>380,275</u>	<u>380,174</u>

The following table details the Group's sensitivity to a 5% increase or decrease in RMB against HK\$ and USD. 5% sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes the financial assets and financial liabilities denominated in HK\$ and USD, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive or negative number below indicates a decrease or an increase in loss for the year (2020 and 2019: an increase or a decrease in profit for the year) where RMB strengthen 5% against HK\$ and USD. For a 5% weakening of RMB against in HK\$ and USD, there would be an equal and opposite impact on the result for the year.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Impact on result for the year	<u>(13,312)</u>	<u>(13,636)</u>	<u>(14,225)</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

33. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued**Credit risk and impairment assessment**

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bills receivables, other receivables, loans receivable, time deposits, pledged bank deposits, restricted bank deposits and bank balances and cash (2020 and 2019: trade and bills receivables, other receivables, loans receivable, amount due from immediate holding company, amount due from former holding company, amount due from related parties, pledged bank deposits, restricted bank deposits and bank balances and cash). The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant. In this regard, the management considers that the Group's credit risk is significantly reduced.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Independent companies are engaged to investigate the credibility of customers, and guarantees or pledges of assets provided by them on a needed basis. In addition, management reviews the recoverable amount of each individual trade debt, bills receivables and other receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts.

The credit risk on structured deposits is limited because they are principal protected and the issuing banks are reputable banks with good credit ratings.

The credit risk on liquid funds is limited because the Group's pledged bank deposits and bank balances are deposited with banks of high credit ratings in Hong Kong and the PRC.

The credit risk on loans receivable, amount due from immediate holding company, amount due from former holding company and amounts due from related parties are limited because the management of the Group determines that these counterparties are in strong financial position.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

33. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued**Credit risk and impairment assessment** - continued

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and on balances mentioned above, the Group does not have significant concentration of credit risk on trade and bills receivables and other receivables as the exposure spread over a number of counterparties and customers.

The Group has considered that credit risk on bills receivables, amount due from immediate holding company, amount due from former holding company, amounts due from related parties, pledged bank deposits, restricted bank deposits and bank balances has not increased significantly since initial recognition and has assessed the expected credit loss rate under 12-month ECL method based on the Group's assessment in the risk of default of the respective counterparties.

Based on the ECL assessment, the credit exposures for trade and bills receivables, other receivables, loan receivables, amount due from immediate holding company, amount due from former holding company, amounts due from related parties, time deposits, pledged bank deposits, restricted bank deposits and bank balances and cash, which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts.

The Group's internal credit risk grading assessment comprises the following categories:

<u>Internal credit rating</u>	<u>Description</u>	<u>Trade receivables</u>	<u>Other financial assets</u>
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL - not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount		
				2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Financial assets at amortised cost						
Trade receivables	17	Note i	Lifetime ECL	55,588	55,252	56,577
Bills receivables	17	Note ii	12-month ECL	213,358	322,409	153,185
Other receivables	18	Note ii	12-month ECL	690,796	785,962	868,701
Loans receivables	19	Note ii	12-month ECL	280,525	100,771	52,032
Amount due from immediate holding company	21	Note ii	12-month ECL	-	347,649	-
Amount due from former holding company	21	Note ii	12-month ECL	-	-	98,592
Amount due from related parties	22	Note ii	12-month ECL	-	-	88,476
Time deposits	23	Note ii	12-month ECL	12,231	-	-
Pledged bank deposits	14	Note ii	12-month ECL	39,121	84,638	64,196
Restricted bank deposits	23	Note ii	12-month ECL	8,770	6,905	5,426
Bank balances	23	Note ii	12-month ECL	<u>116,857</u>	<u>86,945</u>	<u>66,048</u>

Notes:

- (i) For trade receivables, the Group has applied the simplified approach in MFRS 9/IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses for collectively grouping by internal credit rating.
- (ii) For the purposes of internal credit risk management, the Group has applied the general approach in MFRS 9/IFRS 9 to measure the loss allowance at 12-month ECL as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for bills receivables, other receivables, loans receivables, amount due from immediate holding company, amount due from former holding company, amounts due from related parties, time deposits, pledged bank deposits, restricted bank deposits and bank balances by assessment of probability of default.

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REAL JADE LIMITED

33. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued**Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank and other borrowings as a significant source of liquidity. Management monitors the utilisation of bank and other borrowings.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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REAL JADE LIMITED

33. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued*Liquidity risk tables*

	Weighted average effective interest rate %	On demand or less than 1 month HK\$'000	1 - 3 months HK\$'000	3 months to 1 year HK\$'000	1 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<u>At 31 December 2021</u>							
Trade and bills payables	-	49,614	-	110,078	-	159,692	159,692
Other payables	-	173,778	-	-	-	173,778	173,778
Amount due to immediate holding company	-	150,000	-	-	-	150,000	150,000
Amounts due to related parties	-	29,727	-	-	-	29,727	29,727
Other borrowings	6.0	-	46,723	45,002	138,122	229,847	210,000
Lease liabilities	6.0	186	259	669	1,326	2,440	2,388
		<u>403,305</u>	<u>46,982</u>	<u>155,749</u>	<u>139,448</u>	<u>745,484</u>	<u>725,855</u>
<u>At 31 December 2020</u>							
Trade and bills payables	-	33,344	27,081	198,533	-	258,958	258,958
Other payables	-	388,119	-	-	-	388,119	388,119
Amounts due to related parties	-	26,515	-	-	-	26,515	26,515
Bank borrowing	4.1	-	60,068	-	-	60,068	59,459
Other borrowings	28.4	380,150	-	7,298	58,678	446,126	427,655
Lease liabilities	6.0	117	234	938	417	1,706	1,646
		<u>828,245</u>	<u>87,383</u>	<u>206,769</u>	<u>59,095</u>	<u>1,181,492</u>	<u>1,162,352</u>

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

33. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued*Liquidity risk tables* - continued

	Weighted average effective <u>interest rate</u> %	On demand or less than <u>1 month</u> HK\$'000	1 - 3 <u>months</u> HK\$'000	3 months to <u>1 year</u> HK\$'000	1 - 5 <u>years</u> HK\$'000	Total undiscounted <u>cash flows</u> HK\$'000	Carrying <u>amount</u> HK\$'000
<u>At 31 December 2019</u>							
Trade and bills payables	-	38,911	-	222,321	-	261,232	261,232
Other payables	-	318,766	-	-	-	318,766	318,766
Amounts due to related parties	-	22,085	-	-	-	22,085	22,085
Bank borrowing	4.1	5,077	11,136	1,408	-	17,621	17,490
Other borrowings	30.0	389,500	-	-	-	389,500	380,000
Lease liabilities	6.0	111	222	998	1,607	2,938	2,754
		<u>774,450</u>	<u>11,358</u>	<u>224,727</u>	<u>1,607</u>	<u>1,012,142</u>	<u>1,002,327</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change, if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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REAL JADE LIMITED(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair value of various financial assets and liabilities.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to Level 3) based on the degree to which the inputs to the fair value measurements is observable.

<u>Financial assets</u>	<u>2021</u>	<u>Fair value at</u> <u>2020</u>	<u>2019</u>	<u>Fair value</u> <u>hierarchy</u>	<u>Valuation technique and key inputs</u>
	HK\$'000	HK\$'000	HK\$'000		
Financial assets at fair value through profit or loss					
Equity securities listed outside Hong Kong	-	-	245	Level 1	Quoted prices in market.
Exchange rate linked structured deposits	-	61,201	57,333	Level 2	Discounted cash flow. Future cash flows are estimated based on the probabilities of future exchange rate movements (which are modelled using the implied volatility prices at the end of the reporting period from the foreign exchange options market) and contracted interest rates, discounted at a rate that reflects the credit risk of the Group or the counterparties, as appropriate.
	-	61,201	57,578		

There were no transfers among Level 1 and Level 2 during the year ended 31 December 2021, 31 December 2020 and 31 December 2019.

The Directors of the Company consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

34. PLEDGE OF ASSETS

At the end of the reporting period, certain of the Group's buildings and structures with aggregate carrying amount of HK\$47,912,000 (2020: HK\$47,779,000 and 2019: HK\$46,461,000), right-of-use assets with carrying amount of HK\$750,000 (2020: HK\$775,000 and 2019: HK\$743,000), exchange rate linked structured deposits with carrying value of HK\$Nil (2020: HK\$61,201,000 and 2019: HK\$57,333,000), bills receivables with carrying amount of HK\$Nil (2020: HK\$11,629,000 and 2019: HK\$Nil) together with bank deposits, carrying fixed interest rate of 1.5% (2020: 0.35% to 4.18% and 2019: 1.50% to 4.18%) per annum, of HK\$39,121,000 (2020: HK\$84,638,000 and 2019: HK\$64,196,000) were pledged to secure short-term bank facilities in respect of the issuance of bills payable to suppliers amounting to HK\$122,309,000 (2020: HK\$232,559,000 and HK\$222,511,000).

At 31 December 2020, there were certain bills receivables with carrying amounts of HK\$59,459,000 (2019: HK\$Nil) being pledged to secure bank borrowings to the extent of HK\$59,459,000 (2019: HK\$Nil) granted to the Group.

At 31 December 2020, there were certain machinery with carrying amount of HK\$13,231,000 (2019: HK\$Nil) and the mining right with carrying amount of HK\$8,438,000 (2019: HK\$Nil) were pledged to secure other borrowings to the extent of HK\$47,655,000 (2019: HK\$Nil) granted to the Group.

At 31 December 2021, other borrowings of HK\$210,000,000 (2020 and 2019: HK\$Nil) borrowed by the Group were secured by share mortgages on two subsidiaries of the Group and several debentures that created first fixed and floating charges over the undertaking, property and assets of several subsidiaries of the Group in favour of the lenders.

35. RELATED PARTY DISCLOSURES

In addition to the transactions, balances and commitments disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2021, 2020 and 2019, the Group had transactions and balances with related parties as follows:

(a) Summary of transactions

	<u>Notes</u>	<u>(Income)/Expenses</u>		
		<u>2021</u>	<u>2020</u>	<u>2019</u>
		HK\$'000	HK\$'000	HK\$'000
Non-controlling shareholders of the Group's subsidiaries				
Interest income	(i)	-	(827)	(4,522)
Management fee expense		<u>45</u>	<u>59</u>	<u>59</u>

(b) Key management personnel compensation

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	HK\$'000	HK\$'000	HK\$'000
Salaries and other short-term benefits	<u>7,938</u>	<u>17,112</u>	<u>6,346</u>

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

35. RELATED PARTY DISCLOSURES - continued

(c) Summary of balances

	<u>Notes</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Current assets				
Loan to a non-controlling shareholders of the Group's subsidiary	(i)	<u>-</u>	<u>-</u>	<u>88,476</u>
Current liabilities				
Dividends payable to non-controlling shareholders of the Group's subsidiaries	(ii)	29,407	26,241	21,911
Amounts due to a non-controlling shareholder of the Group's subsidiary	(ii)	<u>320</u>	<u>274</u>	<u>174</u>
		<u>29,727</u>	<u>26,515</u>	<u>22,085</u>

Notes:

- (i) The transactions and balances represented the provision of loans to a non-controlling shareholder of the Group's subsidiary. The principals of the loans were repaid during the year ended 31 December 2020.
- (ii) The balance are unsecured, non-interest bearing and repayable on demand.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

36. ACQUISITION OF A SUBSIDIARY

In December 2021, the Group acquired a 51% interest in 上海國琨晟建設集團有限責任公司 (Shanghai Guokunsheng Construction Group Co., Ltd.*) ("Guokunsheng") for a cash consideration of RMB51,000 (equivalent to approximately HK\$61,000). Guokunsheng is principally engaged in the provisions of energy conservation. The acquisition has been accounted for as acquisition of business using the acquisition method.

Assets acquired and liabilities recognised at the date of acquisition

HK\$'000

Right-of-use assets	1,628
Other receivables	311
Tax receivable	7
Bank balances and cash	80
Other payable	(371)
Lease liabilities	(1,741)
	<u>(86)</u>

Non-controlling interests

The non-controlling interests (49%) in Guokunsheng recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net liabilities of Guokunsheng and amounted to HK\$41,000.

Goodwill arising on acquisition:

HK\$'000

Consideration transferred	61
Less: non-controlling interests (49%) in Guokunsheng	(41)
Plus: recognised amounts of net liabilities acquired	86
Goodwill arising on acquisition	<u>106</u>

The goodwill amounting to HK\$106,000 was impaired and had been recognised in profit or loss during the year ended as disclosed in Note 9.

Net cash inflow on acquisition of Guokunsheng

HK\$'000

Cash consideration paid	61
Less: cash and cash equivalents balances acquired	(80)
	<u>(19)</u>

* For identification purposes only

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

37. PARTICULARS OF SUBSIDIARIES

Particulars of all subsidiaries of the Company as at 31 December 2021, 2020 and 2019 are as follows:

Name of Company	Place of incorporation/ registration	Paid up issued ordinary share capital/ paid up registered capital	Effective equity interest attributable to the Group			Principal activities
			2021 %	2020 %	2019 %	
AII-cement Limited	British Virgin Islands	US\$1	100	100	100	Investment holding and cement business
AII-Shanghai Inc.	British Virgin Islands	US\$15,376,500	83.33	83.33	83.33	Investment holding and cement business
SAC Intellectual Properties Limited	British Virgin Islands	US\$1	100	100	100	Investment holding
Silver Bloom Holdings Limited 銀成集團有限公司	British Virgin Islands	HK\$10,000	100	100	100	Investment holding
Shandong Allied Wangchao Cement Limited 山東聯合王晁水泥有限公司	PRC	US\$29,360,000	100	100	100	Manufacture and sales of cement and clinker
Shandong Shanghai Allied Cement Co., Ltd. 山東上聯水泥發展有限公司	PRC	US\$1,000,000	100	100	100	Manufacture and sales of slag
Shanghai Allied Cement Co., Ltd. 上海聯合水泥有限公司	PRC	US\$104,000,000	50 [#]	50 [#]	50 [#]	Trading of cement and clinker
Shanghai Allied Cement Holdings Limited 上聯水泥集團有限公司	Hong Kong	HK\$10,000,000	100	100	100	Investment holding
Splendid Link Limited 鉅聯有限公司	British Virgin Islands	US\$1	100	100	100	Investment holding
上海國瑞同順節能環保技術發展有限公司	PRC	RMB12,000,000	70.83	70.83	70.83	Provision of service on environmental protection and energy conservation
Power Enrich Ltd	British Virgin Islands	US\$1	100	100	-	Dormant
Level Supreme Ltd	British Virgin Islands	US\$1	100	100	-	Dormant
Zaozhuang Laisheng New Building Materials Co., Ltd. 枣庄徠盛新型建材有限公司	PRC	US\$2,450,000	70	70	-	Manufacture and sales of building stones
Shanghai Guokunsheng Construction Group Co., Ltd. 上海國琨晟建設集團有限責任公司	PRC	RMB100,000	36.12 [^]	-	-	Provisions of energy conservation

Remark:

This company is held and controlled by a 83.33%-owned subsidiary of the Company.

^ This company is held and controlled by a 70.83%-owned subsidiary of the Company.

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

38. DETAILS OF NON WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

<u>Name of Company</u>	<u>Proportion of ownership interest and voting rights held by non-controlling interests</u>			<u>Profit allocated to non-controlling interests</u>			<u>Accumulated non-controlling interests</u>		
	<u>2021</u> %	<u>2020</u> %	<u>2019</u> %	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Shanghai Allied Cement Co., Ltd 上海聯合水泥有限公司	50	50	50	<u>19,460</u>	<u>29,806</u>	<u>18,330</u>	<u>418,016</u>	<u>412,531</u>	<u>386,614</u>
Individually immaterial subsidiary with non-controlling interests				<u>8,707</u>	<u>382</u>	<u>366</u>	<u>33,765</u>	<u>26,602</u>	<u>13,583</u>

Summarised financial information in respect of the Company's subsidiary that has material non-controlling interests is set out below. The summarised financial information below presented amounts before intra-group eliminations.

Shanghai Allied Cement Co., Ltd 上海聯合水泥有限公司

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Current assets	<u>1,150,191</u>	<u>1,192,989</u>	<u>1,223,312</u>
Non-current assets	<u>96,191</u>	<u>108,696</u>	<u>94,602</u>
Current liabilities	<u>(390,774)</u>	<u>(457,307)</u>	<u>(527,726)</u>
Non-current liabilities	<u>(19,609)</u>	<u>(19,350)</u>	<u>(16,990)</u>
Equity attributable to owners of the Company	<u>417,983</u>	<u>412,497</u>	<u>386,584</u>
Non-controlling interests	<u>418,016</u>	<u>412,531</u>	<u>386,614</u>

ACCOUNTANTS' REPORT ON REAL JADE

REAL JADE LIMITED

38. DETAILS OF NON WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS - continued

Shanghai Allied Cement Co., Ltd 上海聯合水泥有限公司

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2019</u> HK\$'000
Revenue	56,724	70,861	75,130
Net expenses	(17,805)	(11,251)	(38,472)
Profit for the year	<u>38,919</u>	<u>59,610</u>	<u>36,658</u>
Profit attributable to owners of the Company	19,459	29,804	18,328
Profit attributable to non-controlling interests	<u>19,460</u>	<u>29,806</u>	<u>18,330</u>
Profit for the year	<u>38,919</u>	<u>59,610</u>	<u>36,658</u>
Other comprehensive income/(expenses) attributable to owners of the Company	11,768	24,285	(6,918)
Other comprehensive income/(expenses) attributable to non-controlling interests	<u>11,778</u>	<u>24,299</u>	<u>(6,914)</u>
Other comprehensive income/(expenses) for the year	<u>23,546</u>	<u>48,584</u>	<u>(13,832)</u>
Total comprehensive income attributable to owners of the Company	31,227	54,089	11,410
Total comprehensive income attributable to non-controlling interests	<u>31,238</u>	<u>54,105</u>	<u>11,416</u>
Total comprehensive income for the year	<u>62,465</u>	<u>108,194</u>	<u>22,826</u>
Dividend distribution to non-controlling interests	<u>20,594</u>	<u>22,541</u>	<u>13,394</u>
Net cash inflow/(outflow) from operating activities	<u>16,517</u>	<u>(98,777)</u>	<u>(177,632)</u>
Net cash inflow from investing activities	<u>22,782</u>	<u>131,017</u>	<u>166,634</u>
Net cash outflow from financing activities	<u>(26,468)</u>	<u>(20,771)</u>	<u>(20,327)</u>
Net cash inflow/(outflow)	<u>12,831</u>	<u>11,469</u>	<u>(31,325)</u>

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

Deloitte.

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29 August 2022

The Board of Directors
Mudajaya Group Berhad
PH1, Menara Mudajaya
No.12A, Jalan PJU7/3
Mutiar Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

Report on the Compilation of Pro Forma Consolidated Statement of Financial Position

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statement of Financial Position of Mudajaya Group Berhad (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2021 (the “Pro Forma Consolidated Statement of Financial Position”).

The Pro Forma Consolidated Statement of Financial Position which we have stamped for the purpose of identification, has been compiled by the Directors of the Company for inclusion in the circular to shareholders (the “Circular to Shareholders”) to be dated later in connection with the proposed acquisition of Real Jade Limited and its subsidiaries (“Real Jade”) by the Company (the “Proposed Acquisition”).

The applicable criteria on the basis of which the Directors of the Company have compiled the Pro Forma Consolidated Statement of Financial Position are described in the notes thereon to the Pro Forma Consolidated Statement of Financial Position.

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors of the Company to illustrate the impact of the Proposed Acquisition, as set out in the notes thereon on the Group’s consolidated statement of financial position as at 31 December 2021 as if the Proposed Acquisition had taken place at 31 December 2021. As part of this process, information about the Group’s consolidated statement of financial position as at 31 December 2021 has been extracted by the Directors of the Company from the Group’s financial statements for the financial year ended 31 December 2021, on which an audit report has been published.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER



Directors' Responsibilities for the Pro Forma Consolidated Statement of Financial Position

The Directors of the Company are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the Malaysian Institute of Accounts' Guidance Note for Issuers of Pro Forma Financial Information.

Reporting Accountant's Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for By- Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors of the Company on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 - *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of the Company have compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER



The purpose of the Pro Forma Consolidated Statement of Financial Position included in the Circular to Shareholders is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Company as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria as disclosed in the notes thereon to the Pro Forma Consolidated Statement of Financial Position provides a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the events or transactions in respect of which the Pro Forma Consolidated Statement of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

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

Our Opinion

In our opinion, the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS
AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER**

Deloitte.

Restriction on Distribution and Use

This report is issued for the sole purpose of inclusion in the Circular to Shareholders in connection with the Proposed Acquisition and should not be used or relied upon for any other purpose. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

MUDAJAYA GROUP BERHAD

(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

The Pro Forma Consolidated Statement of Financial Position as set out below has prepared by the Directors of Mudajaya Group Berhad ("Mudajaya" or the "Company") for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of Mudajaya and its subsidiaries (the "Group") as at 31 December 2021 on the assumption that the Proposed Acquisition as set out in Note 2 had been effected on that date, and should be read in conjunction with notes thereon.

		As at 31 December 2021*	Effects of Proposed Acquisition	Pro forma - After the Proposed Acquisition
	Note	RM'000	RM'000	RM'000
ASSETS				
Property, plant and equipment		23,443	163,653	187,096
Right-of-use assets		39,391	4,343	43,734
Investment properties		50,843	-	50,843
Intangible assets		8,053	4,467	12,520
Service concession assets		285,084	-	285,084
Investment in associates		17,455	-	17,455
Other investments		21,936	-	21,936
Deferred tax assets		2,066	-	2,066
Deposits for equipment and machineries		-	15,433	15,433
Total Non-current Assets		448,271	187,896	636,167
Inventories	5.1	112,697	13,507	126,204
Other current assets		152,361	-	152,361
Contract assets		19,282	-	19,282
Trade and other receivables		120,759	652,561	773,320
Tax recoverable		3,405	-	3,405
Derivative financial assets		1,197	-	1,197
Cash and cash equivalents	5.2	146,726	(23,810)	122,916
Total Current Assets		556,427	642,258	1,198,685
Total Assets		1,004,698	830,154	1,834,852

* The financial statements of Mudajaya for the financial year ended 31 December 2021 were audited by another firm of auditors whose report dated 15 April 2022 expressed an unmodified opinion.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONTINUED)

The Pro Forma Consolidated Statement of Financial Position as set out below has prepared by the Directors of Mudajaya Group Berhad ("Mudajaya" or the "Company") for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of Mudajaya and its subsidiaries (the "Group") as at 31 December 2021 on the assumption that the Proposed Acquisition as set out in Note 2 had been effected on that date, and should be read in conjunction with notes thereon. (Continued)

	Note	As at 31 December 2021* RM'000	Effects of Proposed Acquisition RM'000	Pro forma - After the Proposed Acquisition RM'000
EQUITY				
Share capital		502,054	-	502,054
Warrant reserve		38,426	-	38,426
Foreign currency translation reserve		2,095	-	2,095
Accumulated losses	5.3	(280,280)	(2,700)	(282,980)
Equity attributable to owners of the Company		262,295	(2,700)	259,595
Non-controlling interests		31,907	241,346	273,253
Total Equity		294,202	238,646	532,848
LIABILITIES				
Loans and borrowings		305,937	69,447	375,384
Lease liabilities		42,573	674	43,247
Refundable deposits		2,365	-	2,365
Deferred tax liabilities		11,648	12,556	24,204
Total Non-current Liabilities		362,523	82,677	445,200
Loans and borrowings		174,806	42,737	217,543
Lease liabilities		1,225	602	1,827
Trade and other payables	5.4	148,420	404,680	553,100
Contract liabilities		20,486	5,353	25,839
Tax liabilities		3,036	55,459	58,495
Total Current Liabilities		347,973	508,831	856,804
Total Liabilities		710,496	591,508	1,302,004
Total Equity and Liabilities		1,004,698	830,154	1,834,852

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

MUDAJAYA GROUP BERHAD

(Incorporated in Malaysia)

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

1. INTRODUCTION

The Pro Forma Consolidated Statement of Financial Position (“Pro Forma Consolidated SOFP”) of Mudajaya Group Berhad (“Mudajaya” or the “Company”) for which the Directors of the Company are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in the Circular to Shareholders in connection with the proposed acquisition of the entire equity interest in Real Jade Limited (“Real Jade” or the “Target Company”) by the Company via its wholly-owned subsidiary, Xelmont Limited (“Xelmont” or the “Purchaser”), as set out in Note 2 (“Proposed Acquisition”).

The Pro Forma Consolidated SOFP has been prepared in accordance with the Malaysian Institute of Accountants’ Guidance Note for Issuers of Pro Forma Financial Information, for illustrative purposes only to show the effects of the Proposed Acquisition on the audited consolidated SOFP of the Group as at 31 December 2021, had the Proposed Acquisition been effected on 31 December 2021 (“Assumed Acquisition Date”).

As the Pro Forma Consolidated SOFP has been prepared for illustrative purposes only, such information, because of its hypothetical nature, does not give a true picture of the effects of the Proposed Acquisition on the financial position of the Group presented had the Proposed Acquisition occurred on 31 December 2021. Further, such information does not purport to predict the Group’s future financial position.

2. PROPOSED ACQUISITION

2.1 Proposed acquisition of the entire equity interest in Real Jade

Xelmont had on 30 June 2022 entered into a share sale and purchase agreement (“SSPA”) with Minyi Holdings Limited (“Vendor” or the “Seller”) for the proposed acquisition of the entire equity interest in Real Jade for an indicative purchase consideration of HKD400,000,000 (equivalent to RM224,320,000) (“Purchase Consideration”) to be partially satisfied through cash on completion of the SSPA (“Cash Portion”) amounting to HKD201,000,000 with the remaining balance of HKD199,000,000 to remain an indebtedness owing by the Purchaser to the Vendor on completion of the SSPA (“Balance”) and to be satisfied by the Purchaser in one lump sum payment together with any unpaid accrued interest on or before the expiration of two years after the completion of the SSPA.

The Proposed Acquisition entails the acquisition by Xelmont of the entire equity interest in Real Jade, subject to the terms and conditions of the SSPA.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

2.2 The purchase consideration

The Purchase Consideration in respect of the Proposed Acquisition was mutually agreed between the Purchaser and the Vendor, after taking into consideration the accepted net assets of HKD400,000,000 ("Accepted NA") of Real Jade, subject to adjustments to be made, based on the latest audited NA ("Completion NA") of Real Jade during completion of the Proposed Acquisition, as follows:

- (i) in the event that the Completion NA exceeds the Accepted NA, the Vendor shall subject always to all applicable laws, be entitled to:
 - a. distribute assets of Real Jade with a value equal to the amount in excess of the Agreed NA (but not comprising more than 50% of the Target Company's cash balances); or
 - b. proceed to completion of the Proposed Acquisition without any cash or asset distribution, at the election of the Vendor
- (ii) in the event that the Completion NA is less than the Accepted NA, the Purchaser may proceed to the completion of the Proposed Acquisition without adjustment of the Purchase Consideration, at the election of the Purchaser.

Pursuant to the terms of the SSPA, the Purchase Consideration will be satisfied through the Cash Portion of HKD201,000,000 with the Balance of HKD199,000,000 to be satisfied by the Purchaser in one lump sum payment together with any unpaid accrued interest on or before the expiration of two years after the completion of the SSPA. The interest payable for the Balance is at the rate of 5% per annum calculated from the date of completion of the SSPA to the date of full payment of the Balance.

3. BASIS OF PREPARATION

The Pro Forma Consolidated SOFP, for which Directors of the Company are solely responsible, has been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2021 in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group for the financial year then ended.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

4. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Pro Forma Consolidated SOFP has been prepared for the illustrative purposes only to show the effects of the Proposed Acquisition as set out in Note 2.

Effect of Proposed Acquisition

The Pro Forma Consolidated SOFP incorporates the effects of the completion of the Proposed Acquisition, being fulfilment of all conditions precedent set out in the SSPA. For purposes of illustration in the Pro Forma Consolidated SOFP, the Proposed Acquisition has been accounted for as an acquisition of a business.

For purposes of illustration in the Pro Forma Consolidated SOFP, the Assumed Acquisition Date is on 31 December 2021. The indicative purchase consideration of HKD400,000,000 is assumed to be settled as follows:

Payment terms	Timing	Note	HKD'000	RM'000 equivalent*	%
Initial sum	By the completion of the Proposed Acquisition	5.2	201,000	112,721	50.3
Balance consideration	One lump sum payment together with any unpaid accrued interest on or before the expiration of two years after the completion of the Proposed Acquisition	5.4	199,000	111,599	49.7
Total			400,000	224,320	100.0

* Based on HKD1:RM0.5608

The Pro Forma Consolidated SOFP has been prepared for illustrative purposes only to show the effects of the Proposed Acquisition as set out in Note 2.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

Assets acquired and liabilities assumed

The provisional fair value of the identifiable assets and liabilities of Real Jade and its subsidiaries as at the Assumed Acquisition Date is as follows:

	Provisional fair value on acquisition RM'000
Non-current assets	
Property, plant and equipment ("PPE")	163,653
Right-of-use assets	4,343
Intangible asset	4,467
Deposits for equipment and machineries	15,433
Current assets	
Inventories	12,244
Properties held for sale	1,263
Trade and other receivables	652,561
Cash and cash equivalents	94,567
Non-current liabilities	
Loans and borrowings	(69,447)
Lease liabilities	(674)
Deferred tax liabilities	(12,556)
Current liabilities	
Loans and borrowings	(42,737)
Lease liabilities	(602)
Trade and other payables	(290,381)
Contract liabilities	(5,353)
Tax liabilities	(55,459)
Provisional fair value of the identifiable assets and liabilities	471,322
Non-controlling interests	(241,346)
Provisional fair value of the identifiable assets and liabilities attributable to owners of the Company	<u>229,976</u>

Purchase Consideration

	Note	RM'000
Completion NA		229,976
Accepted NA (equivalent to the Purchase Consideration)		<u>224,320</u>
Dividend payment as per Note 2.2 (i)(a)	5.2	<u>5,656</u>

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

The provisional fair value of the PPE, inventories and properties held for sale are based on the Company's preliminary valuation. The provisional fair value of other identifiable assets and liabilities are assumed to approximate the carrying amount of the assets and liabilities shown in the audited financial statements of Real Jade and its subsidiaries as at 31 December 2021. The financial statements of Real Jade, for the financial year ended 31 December 2021 which are prepared in accordance with IFRS as contained in the Accountants' Report of Real Jade and are not subject to any qualification or modification.

The exercise to allocate the purchase consideration to the assets acquired and liabilities assumed will be performed at a later stage and hence the identification and measurement of the various components of business combination could be materially different from the amounts shown in the Pro Forma Consolidated SOFP.

Acquisition related costs

Transactions costs incurred in relation to the Proposed Acquisition estimated at RM2,700,000 have been charged to profit or loss. The transaction costs are assumed to be payable in the Pro Forma Consolidated SOFP.

5. NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1 Inventories

	RM'000
As at 31 December 2021	112,697
Inventories from Real Jade and its subsidiaries	12,244
Properties held for sale from Real Jade and its subsidiaries	1,263
	<hr/>
As per Pro Forma Consolidated SOFP	126,204
	<hr/>

5.2 Cash and bank balances

	RM'000
As at 31 December 2021	146,726
Cash and bank balances from Real Jade and its subsidiaries	94,567
Partial payment of purchase consideration (Note 4)	(112,721)
Dividend payment as per Note 2.2 (i)(a)	(5,656)
	<hr/>
As per Pro Forma Consolidated SOFP	122,916
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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MUDAJAYA GROUP AS AT 31 DECEMBER 2021 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER

5.3 Accumulated losses

RM'000

As at 31 December 2021	(280,280)
Acquisition related costs (Note 4)	<u>(2,700)</u>
As per Pro Forma Consolidated SOFP	<u><u>(282,980)</u></u>

5.4 Trade and other payables (current)

RM'000

As at 31 December 2021	148,420
Liabilities assumed from Real Jade and its subsidiaries	290,381
Partial payment of purchase consideration (Note 4)	111,599
Acquisition related costs (Note 4)	<u>2,700</u>
As per Pro Forma Consolidated SOFP	<u><u>553,100</u></u>

APPROVAL BY BOARD OF DIRECTORS

Approved and signed on behalf of the Board of Directors of Mudajaya Group Berhad on 29 August 2022.



LEE ENG LEONG
 DIRECTOR

DIRECTORS' REPORT ON REAL JADE

REAL JADE LIMITED*(Incorporated in the British Virgin Islands with limited liability)*9th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong

Date: 30 September 2022


**The Board of Directors of
MUDAJAYA GROUP BERHAD**


Dear Sir/ Madam,

On behalf of the Board of Directors of Real Jade Limited ("**Real Jade**" or the "**Company**") ("**Board**"), we wish to report, subject to the impacts of the Coronavirus disease 2019 epidemic and the Share Sale and Purchase Agreement dated 30 June 2022, after due enquiries by the Company in relation to the period between 31 December 2021, being the date to which the last audited consolidated financial statements of the Company had been made up, and up to the date of this letter, being a date not earlier than 14 days before the circular to be issued by Mudajaya Group Berhad, that:-

- (i) the business of Real Jade and its subsidiaries ("**Real Jade Group**") has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of Real Jade which have adversely affected the trading or the value of the assets of Real Jade Group;
- (iii) the current assets of Real Jade Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by Real Jade Group;
- (v) there have been, since the last audited consolidated financial statements of Real Jade, no default or any known events that could give rise to a default situation, in respect of payments of either interest and/ or principal sums in relation to any borrowings in which the Board is aware of; and
- (vi) there have been no material changes to the published reserves or any unusual factors affecting the profits of Real Jade Group since the last audited consolidated financial statements of Real Jade.

Yours faithfully,
For and on behalf of the Board of Directors of
REAL JADE LIMITED



CHENG LUNG DON
Director

NG QING HAI
Director

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION

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MEMORANDUM

**Confidential and
legally privileged**

To: Mudajaya Group Berhad

From: Harney Westwood & Riegels Singapore LLP

Subject: British Virgin Islands (**BVI**) Business Companies – Policies governing foreign investments, taxation, exchange control and repatriation of capital and profits

Date: 7 April 2022 **Reference:** 057646.0001/LZF

1 INTRODUCTION

- 1.1 We are lawyers qualified to practise in the British Virgin Islands and have been asked to provide this memorandum to you with regard to the laws of the BVI in relation to the proposed acquisition of 100% of the issued shares of Real Jade Limited (the **Company**) by Xelmont Limited (a wholly owned indirect subsidiary of Mudajaya Group Berhad) as buyer and Minyi Holdings Limited 民逸控股有限公司 as seller (the **Transaction**). We have been instructed to prepare this memorandum on BVI laws in relation to the policies on the following aspects: (i) foreign investments, (ii) taxation, (iii) exchange control and (iv) repatriation of capital and profits.

2 INTRODUCTION

- 2.1 The principal company law statute in the BVI is the BVI Business Companies Act 2004 (the **Act**), which has been amended on a regular basis since it was passed into law. The BVI is a British Overseas Territory. The Act follows English company law principles and concepts. When considering questions of BVI law, the BVI courts will usually apply English case law together with the case law of other common law jurisdiction.
- 2.2 The Company is a BVI Business Company (**BC**) incorporated under the Act. A file for public inspection, consisting of a copy of the Certificate of Incorporation, the Memorandum of Association and Articles of Association (with any amendments), and a record of licence fees paid to date is maintained at the Registry. The Company is not required by statute to disclose or file at the Registry the names of its shareholders, its financial records or accounts. The Company is required to file a copy of its register of directors with the Registrar of Corporate Affairs, but (unless the Company otherwise elects) the register will not be available for public inspection. The Act provides that the Company may elect to file at the Registry a copy of the share register or to permit public access to the register of directors. Such election is not mandatory and in respect of the Company has not been exercised.
- 2.3 Each BC is required by the Act to have a registered agent (the **Registered Agent**) and a registered office (the **Registered Office**) in the British Virgin Islands. Records kept at the offices of the Registered Agent are not available for public inspection. The Registered Agent can, however, with the Company's consent, release such information to persons named by the Company. The Act requires that a copy of the share register and register of directors, commencing from the date of the registration of the Company be kept at the Registered Office of the Company.

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION

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- 2.4 The information contained in this memorandum has been compiled from searches of:
- (a) the public records of the Company on file and available for inspection at the Registry, Road Town, Tortola, British Virgin Islands on 23 February 2022 (the **Searches**); and
 - (b) the civil proceedings cause book maintained by the Registry of the High Court of Justice, British Virgin Islands available for inspection on 23 February 2022,
- which we have assumed to be accurate and up to date.
- 2.5 The Company is required under the Act to keep a register (the **Register of Charges**) at its Registered Office which includes details of any form of security interest over property, other than security interests arising by operation of law. However, the Company is not required to make its Register of Charges available for public inspection, and a failure to enter a security interest in the Register of Charges will only result in a fine for the Company, and will not affect the validity of the security interest
- 2.6 Additionally, the Registrar of Corporate Affairs maintains a register (the **Register of Registered Charges**), and where the Company creates any security interests, either the Company or the person entitled to the benefit of the security interest, or anyone authorised to act on their behalfs, may apply to the Registrar to enter particulars of the security interest in the Register of Registered Charges, and the Register of Registered Charges is open to public inspection. The priority of security interests created by the Company is determined by the order of entry in the Register of Registered Charges, with registered security taking ahead of all unregistered security. The Searches show that there are entries having been made in the Register of Registered Charges with respect to the Company.
- 3 POLICIES AND LAW ON FOREIGN INVESTMENT**
- 3.1 Section 28 of the Act provides that subject to the Memorandum of Association and Articles of Association of the Company, a BC has, irrespective of corporate benefit:
- (a) full capacity to carry on or undertake any business or activity, to do any act or enter into any transaction; and
 - (b) for the purposes of paragraph (a) above, full rights, powers and privileges.
- 3.2 There are no restrictions under the Memorandum of Association and Articles of Association of the Company on the type of business that it may conduct or the investments it may make or own in foreign entities.
- 3.3 There are no restrictions on foreign shareholders in relation to the Company under the Act.
- 4 TAXATION**
- 4.1 BCs are exempt from all provisions of the Income Tax Act (including dividends, interest, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the BVI)¹.

¹ Section 242 of the Act

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION

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- 4.2 Notwithstanding the tax exemption provisions in the Act, the Income Tax Act 1946 has in fact been amended to “zero rate” hence there is no longer any income tax, corporate or personal, in the BVI.
- 4.3 A payroll tax was introduced in the Payroll Taxes Act 2002 which payroll tax applies only in respect of the employees based physically and operating in the BVI².
- 4.4 There is no withholding tax³, capital gains tax, gift tax, capital transfer tax, estate duty, inheritance tax or succession tax in the BVI.

5 ECONOMIC SUBSTANCE

- 5.1 The Economic Substance (Companies and Limited Partnerships) Act, 2018 (the **ESA**) came into force on 1 January 2019, with a six month “grandfathering” period for relevant legal entities registered in the BVI before that date. Many key concepts and requirements are not defined or described in detail in the ESA itself. Further rules and explanatory notes appear in economic substance Rules (the Rules) published by the BVI International Tax Authority (ITA), a copy of which accompanies this memorandum for ease of reference. The Rules comprise (a) extracts from the ESA and related legislation, which appear in italics in the Rules; (b) statutory rules, which appear in bold; and (c) non-binding explanatory notes issued by the ITA (Explanatory Notes), which appear in regular font. The Rules and Explanatory Notes may be updated by the ITA from time to time and this advice is based on the version published as at the date hereof (being version 2 published on 10 February 2020).
- 5.2 The reporting regime in respect of the ESA was introduced via amendments to the Beneficial Ownership Secure Search System Act, 2017 (the BOSS Act). The ESA, the Rules and the BOSS Act (the Economic Substance Legislation) use certain defined terms and concepts which are not familiar features of BVI or common law and which have yet to be tested in or defined by a court. It therefore remains to be seen how BVI legal practitioners, the ITA and, ultimately, a BVI court will interpret and apply certain provisions of the Economic Substance Legislation. This memorandum is intended to introduce the key provisions of the Economic Substance Legislation (as we understand it applies to the Company based on your instructions) and to inform the next steps to be taken by the Company at this stage.
- 5.3 The general obligation under the ESA is for a “**legal entity**” which carries on a “**relevant activity**” during any “**financial period**” to comply with the “**economic substance requirements**” in relation to that activity.⁴ The meaning of each of these terms is considered further below. If a legal entity is carrying on more than one relevant activity, it will be required to comply with the economic substance requirements in respect of each such relevant activity.⁵

² Payroll Taxes Act 2004, sections 2 and 3(1)(a)

³ A limited form of withholding tax was introduced under the Mutual Legal Assistance (Tax Matters) (Amendment) Act 2005 which introduced EC Council Directive 2003/48/EC on taxation of savings income in the form of interest payments, known as the EC Savings Tax Directive. The withholding tax related to interests payments due on savings in certain bank accounts located in the territory. However, this tax was abolished for tax years commencing from 1 January 2012 under the Mutual Legal Assistance (Tax Matters) (Automatic Exchange of Information) Order 2011.

⁴ See Sections 2 and 5 of the ESA. References to numbered Sections are to sections of the ESA, unless otherwise specified.

⁵ Section 5(2).

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION

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- 5.4 The definition of “legal entity” potentially includes the Company but does not include a “**Non-Resident Company**”, which broadly means a company which is tax resident in a jurisdiction outside the BVI that is not “blacklisted” by the EU (the **EU Blacklist**).⁶
- 5.5 The concept of “residence” for these purposes is discussed at Part 4 (*Tax residence outside the BVI*) of the Rules, which greatly expand that concept to include certain “transparent” entities and entities (other than “pure equity holding entities”) whose only sources of income from “relevant activities” are subject to tax in a jurisdiction outside the BVI.⁷
- 5.6 If it were to qualify as Non-Resident, the Company would broadly be exempt from any BVI requirement to comply with the economic substance requirements (but may need to provide evidence of its tax “residence” to the ITA if it carries on any “relevant activity” and wishes to claim exemption as a Non-Resident). Such evidence must generally cover the entire financial period in question. The tax status of the Company is primarily a question of the laws of the jurisdiction(s) in which it claims to be tax “resident”, if any. We would be happy to consult with the Company’s tax advisors to consider what would be involved in making the Company tax resident in another suitable jurisdiction, if desired.⁸ If the Company is unable to provide such evidence within six months of the end of the relevant financial period, it may be possible to apply to the ITA to be treated as provisionally Non-Resident, pending submission of the evidence required to establish that fact.
- 5.7 For the purpose of this memorandum, we will assume that the Company is a tax resident in the BVI.
- 5.8 There are nine types of “relevant activity” set out in the ESA.⁹ The relevant activities and related defined terms are set out and discussed in detail in Part 5 (*Relevant Activities*) of the Rules.
- 5.9 Compliance with the ESA and, if applicable, the economic substance requirements will be assessed over a period of time called a “financial period”. This concept is discussed in detail in Part 10 (*Financial Periods*) of the Rules. The first financial period of the Company therefore commenced on 30 June 2019 and ended on 29 June 2020 by default, unless the Company elected or applied to the ITA to change this.
- 5.10 If the Company is a “pure equity holding entity”, the Company is subject to a reduced requirement.

⁶ That is, not on Annex I to the EU list of non-cooperative jurisdictions for tax purposes. As at the date of this memorandum, such list is accessible via this link: <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>.

⁷ See Rules 4 and 5.

⁸ Whether this is desirable commercially will likely depend on (a) the foreign tax consequences of such residence or status; (b) the costs and administrative burden of establishing such residence or status, as against the costs and administrative burden of complying with the economic substance requirements in the BVI; and (c) whether, if the change may occur partway through a financial period, how (and whether it will be possible for the Company) to produce evidence of such tax status to satisfy the ITA’s requirements under Part 4 of the Rules.

⁹ Section 6. Rule 1 states that “[a] legal entity will be treated as carrying on a relevant activity during any financial period in which it receives income from that activity”. In other words, the mere receipt of income during a financial period, if derived from a relevant activity carried on prior to that financial period, would mean the Company should be treated as carrying on the relevant activity during that financial period. The ITA has stated that, if all the relevant entity is doing is receiving income, the degree of economic substance required will be assessed accordingly (and that, if there is no gross income generated or received during a financial period, the ITA has indicated that this will usually be indicative that a lower level of substance is required). However, that is a distinct point from whether or not the Company is carrying on relevant activity.

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION

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- 5.11 The Company is carrying on any other “relevant activity” (other than “holding business”) it will comply with the substance requirements if:
- (a) the relevant activity is “directed and managed” in the BVI;
 - (b) having regard to the nature and scale of the relevant activity:
 - (i) an “adequate number of suitably qualified employees” are physically present in the BVI;
 - (ii) “adequate expenditure” is incurred in the BVI;
 - (iii) there are physical offices or premises as “appropriate” for “**core income-generating activities**” (**CIGA**) – these are defined for each relevant activity;¹⁰
 - (c) the Company conducts CIGA in the BVI;¹¹ and
 - (d) in relation to IP Business only, any required equipment for the IP Business must be located in the BVI.
- 5.12 Certain reporting requirements will apply to the Company and its BVI registered agent (the **RA**) in relation to the economic substance requirements via amendments made by the ESA to the BVI’s Beneficial Ownership Secure Search (**BOSS**) system.¹² Broadly, the Company will be required to report the prescribed information to its RA, which will then upload such information to the RA database on BOSS on a confidential basis. The information will then be available to the ITA and, in the limited circumstances described below, to overseas competent authorities.
- 5.13 The Company is subject to new continuing obligations under the BOSS Act – in particular, to identify whether the Company carries on any relevant activity (and, if so, which activity) and to notify its RA of the prescribed economic substance information within the relevant deadline following each financial period. The Company’s precise obligations under the BOSS Act are beyond the scope of this memorandum.
- 5.14 The Company must provide to its RA any economic substance information required to be maintained on the RA database – failure to do so without reasonable cause is a criminal offence and may lead to a fine of up to US\$10,000.¹³ Broadly, under the BOSS Act the intentional provision of false information is also an offence punishable by a fine of up to US\$75,000 and/or imprisonment for a term not exceeding five years.¹⁴
- 5.15 Broadly, under the ESA the Company is also obligated to provide any information reasonably required by the ITA to assist it in making a determination of compliance or non-compliance.

¹⁰ Section 7

¹¹ It is not necessary for a legal entity to perform all of the CIGA listed in the legislation for a particular sector but it must perform the CIGA that generates the income it has – see Explanatory Note 7.19.

¹² Section 16 and the Beneficial Ownership Secure Search System Act, 2017. Please note that the full requirements of that 2017 Act are beyond the scope of this memorandum. However, we would be happy to provide advice in this regard separately, if required.

¹³ Section 12(2A) of the BOSS Act.

¹⁴ Section 16 of the BOSS Act.

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION

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6 EXCHANGE CONTROL

- 6.1 Subject to paragraph 8 below, there are no foreign exchange controls or foreign exchange regulations under the currently applicable laws of the British Virgin Islands.

7 STAMP DUTY

- 7.1 There is no stamp duty charged on the transfer of shares in a BC provided that the BC does not directly or indirectly hold an interest in land in the BVI.

8 REPATRIATION OF CAPITAL AND PROFITS

- 8.1 Subject to its Memorandum and Articles of Association, a company may distribute its assets by a variety of methods (including a cash dividend or distribution in kind). The statutory definition of a “distribution” is broad and includes (a) any direct or indirect transfer of an asset (other than the company’s own shares) to or for the benefit of a member; or (b) the incurring of a debt to or for the benefit of a member, in relation to the member’s shares or entitlement to distributions (howsoever achieved).

- 8.2 Subject to the Memorandum and Articles of Association, a company’s directors may authorise a distribution if they are satisfied, on reasonable grounds, that, immediately after the distribution (the **Solvency Test**):

- (a) the value of the company’s assets will exceed its liabilities; and
- (b) the company will be able to pay its debts as they fall due.

- 8.3 Regulation 18.1 of the Articles of the Company provides that the directors of the Company may, by Resolutions of Directors (as defined in the Articles), authorise a Distribution (as defined in the Articles) at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that, the Solvency Test has been met. Regulation 18.2 of the Articles of the Company provides that Distributions may be paid in money, Shares, or other property.

- 8.4 Other than set out above, there are no restrictions under BVI law that would prevent the repatriation of profits from a BC to its shareholders outside of the BVI. Accordingly, profits repatriated by the Company to its overseas shareholders are not subject to any foreign exchange controls or foreign exchange regulations in the BVI provided that such distribution of profits is in compliance its Memorandum and Articles of Association and the Solvency Test above.

9 GENERAL

- 9.1 For the purposes of this memorandum, we have not examined any documents not mentioned in this memorandum and we have not examined any official or corporate records or external or internal registers and have not undertaken or been instructed to undertake any further enquiry or due diligence in relation to Company or the transactions or matters which are the subject of this memorandum. In giving this memorandum, we have relied upon your factual instructions as regards the business and affairs of the Company and the assumptions set out in various parts of this memorandum, which we have not verified.

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION

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- 9.2 This memorandum is confined to the matters expressly set out in this document and given on the basis of the laws of the BVI as they are in force and would be applied by the BVI courts (in our opinion), in each case at the date of this memorandum. We have made no investigation of, and express no opinion on, the laws of any other jurisdiction. We express no opinion as to matters of fact. We express no opinion with respect to the commercial terms of the Company's business activities or the matters contemplated by this memorandum. We do not assume and do not accept any responsibility to the addressee of this memorandum or to any person whatsoever to update this memorandum or to notify the addressee or any other person in event of any change of law or practice in the BVI after the date of this memorandum.
- 9.3 This memorandum is provided for the benefit of the addressee only in connection with the Transaction. It may be disclosed to the addressee's professional advisers only on a confidential basis (but without reliance) and not be disclosed to or relied upon by anyone else save with our prior consent in writing.

Yours faithfully

**Harney Westwood & Riegels Singapore LLP**

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION



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17 August 2022

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Mudajaya Group Limited
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Jalan PJU 7/3 Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Dear Sir or Madam

Minyi Holdings Limited (民逸控股有限公司), Company No 2045662 (the Company)

We are lawyers qualified to practise in the British Virgin Islands and have been asked to provide this legal opinion to you with regard to the laws of the British Virgin Islands in relation to the Transaction Document (as defined in Schedule 1) being entered into by the Company.

For the purposes of giving this opinion, we have examined the Documents (as defined in Schedule 1). We have not examined any other documents, official or corporate records or external or internal registers and have not undertaken or been instructed to undertake any further enquiry or due diligence in relation to the transaction which is the subject of this opinion.

In giving this opinion we have relied upon the assumptions set out in Schedule 2 which we have not verified.

Based solely upon the foregoing examinations and assumptions and having regard to legal considerations which we deem relevant, and subject to the qualifications set out in Schedule 3, we are of the opinion that under the laws of the British Virgin Islands:

- 1 **Existence and Good Standing.** The Company is a company duly incorporated with limited liability, and is validly existing and in good standing under the laws of the British Virgin Islands. The Company is a separate legal entity and is subject to suit in its own name.
- 2 **Capacity and Power.** The execution and delivery of the Transaction Document by the Company and the performance of its obligations thereunder are within the corporate capacity and power of the Company and have been duly authorised and approved by all necessary corporate action of the Company.
- 3 **No Conflict.** The execution, delivery and performance of the Transaction Document do not violate, conflict with or result in a breach of:

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION

- (a) any of the provisions of the Company's Memorandum and Articles of Association;
 - (b) any law or regulation applicable to the Company in the British Virgin Islands currently in force; or
 - (c) any existing order or decree of any governmental or regulatory authority or agency in the British Virgin Islands.
- 4 **Due Execution.** The Transaction Document has been duly executed for and on behalf of the Company.
- 5 **Enforceability.** The Transaction Document will be treated by the courts of the British Virgin Islands as the legally binding and valid obligations of the Company, enforceable in accordance with its terms.
- 6 **Authorisation and Approvals.** No authorisations, consents, orders, permissions or approvals are required from any governmental, regulatory or judicial authority or agency in the British Virgin Islands and no notice to or other filing with or action by any British Virgin Islands governmental, regulatory or judicial authority is required in connection with:
- (a) the execution and delivery of the Transaction Document;
 - (b) the exercise of any of the Company's rights under the Transaction Document;
 - (c) the performance of any of the Company's obligations under the Transaction Document; or
 - (d) the payment of any amount under the Transaction Document.
- 7 **Filings.** It is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of the Transaction Document that any document be filed, recorded or enrolled with any governmental, regulatory or judicial authority in the British Virgin Islands.
- 8 **Judgment Currency.** Any monetary judgment in a court of the British Virgin Islands in respect of a claim brought in connection with the Transaction Document is likely to be expressed in the currency in which such claim is made as such courts have discretion to grant a monetary judgment expressed otherwise than in the currency of the British Virgin Islands.
- 9 **Taxes.** There are no stamp duties, income taxes, withholdings, levies, registration taxes, or other duties or similar taxes or charges now imposed, or which under the present laws of the British Virgin Islands could in the future become imposed, in connection with the enforcement or admissibility in evidence of the Transaction Document or on any payment to be made by the Company or any other person pursuant to the Transaction Document.
- 10 **Interest.** There is no applicable usury or interest limitation law in the British Virgin Islands which would restrict the recovery of payments or performance by the Company of its obligations under the Transaction Document.
- 11 **Enforcement of Judgments.** Any final and conclusive monetary judgment for a definite sum obtained against the Company in the courts of Malaysia (the **Court**) would be treated by the courts of the British Virgin Islands as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary provided that:
- (a) the Court had jurisdiction in the matter and the Company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;

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- (b) the judgment given by the Court was not in respect of penalties, fines, taxes or similar fiscal or revenue obligations;
 - (c) in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of the Court;
 - (d) recognition or enforcement in the British Virgin Islands would not be contrary to public policy; and
 - (e) the proceedings pursuant to which judgment was obtained were not contrary to the principles of natural justice.
- 12 **Adverse Consequences.** Under the laws of the British Virgin Islands, none of the parties to the Transaction Document (other than the Company) will be deemed to be resident, domiciled or carrying on any commercial activity in the British Virgin Islands or subject to any tax in the British Virgin Islands by reason only of the execution and performance of the Transaction Document, nor is it necessary for the execution, performance and enforcement of the Transaction Document that any such party be authorised or qualified to carry on business in the British Virgin Islands.
- 13 **Choice of Law and Dispute Resolution.** The choice of the law of Malaysia as the proper law of the Transaction Document would be upheld as a valid choice of law by the courts of the British Virgin Islands and applied by such courts in proceedings in relation to the Transaction Document as the proper law thereof and the submission by the Company to the jurisdiction of the courts of Malaysia is valid and binding as a matter of British Virgin Islands law.
- 14 **Share Ownership.** The Registered Agent's Certificate for Real Jade Limited indicates that the sole shareholder of Real Jade Limited is as follows with the following shareholding:

Name of shareholder	Shares held
Minyi Holdings Limited	1

- Pursuant to section 42 (1) of the BVI Business Companies Act 2004 (as revised), the entry of the name of a person in the register of members as a holder of a share in a company is *prima facie* evidence that legal title in the share vests in that person. Otherwise we express no opinion as to the Company's title to the shares.
- 15 **Pari Passu Obligations.** The obligations of the Company under the Transaction Document constitute direct obligations that (save as expressly subordinated thereby) rank at least *pari passu* with all its other unsecured obligations (other than those preferred by law).
- 16 **Exchange Controls.** There are no foreign exchange controls or foreign exchange regulations under the currently applicable laws of the British Virgin Islands.
- 17 **Sovereign Immunity.** The Company is not entitled to claim immunity from suit or enforcement of a judgment on the ground of sovereignty or otherwise in the courts of the British Virgin Islands in respect of proceedings against it in relation to the Transaction Document and the execution of the Transaction Document and performance of its obligations under the Transaction Document by the Company constitute private and commercial acts.
- 18 **Searches.**
- (a) No court proceedings pending against the Company are indicated from our searches at the British Virgin Islands High Court Registry referred to in paragraph 4 of Schedule 1.

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- (b) Based on our searches at the British Virgin Islands Registry of Corporate Affairs and the British Virgin Islands High Court Registry referred to in paragraphs 3 and 4 of Schedule 1, no currently valid order or resolution for liquidation of the Company and no current notice of appointment of a receiver over the Company or any of its assets appears on the records maintained in respect of the Company.

This opinion is confined to the matters expressly opined on herein and given on the basis of the laws of the British Virgin Islands as they are in force and applied by the British Virgin Islands courts at the date of this opinion. We have made no investigation of, and express no opinion on, the laws of any other jurisdiction. We express no opinion as to matters of fact. Except as specifically stated herein, we make no comment with respect to any representations and warranties which may be made by or with respect to the Company in the Transaction Document. We express no opinion with respect to the commercial terms of the transactions the subject of this opinion.

This opinion is rendered for your benefit and the benefit of your legal counsel (in that capacity only) in connection with the transactions contemplated by the Transaction Document. It may be disclosed to your successors and assigns only with our prior written consent. It may not be disclosed to or relied on by any other party or for any other purpose.

Yours faithfully



Harney Westwood & Riegels Singapore LLP

EXPERT'S REPORT ON THE POLICIES ON FOREIGN INVESTMENTS, REPATRIATIONS OF PROFITS AND TAXATION, AND LEGAL OPINION ON THE RELEVANT LEGAL MATTERS OF THE PROPOSED ACQUISITION

SCHEDULE 1

List of Documents and Records Examined

- 1 a copy of the Certificate of Incorporation and Memorandum and Articles of Association of the Company obtained from the Registry of Corporate Affairs on 23 February 2022, which our searches dated 16 August 2022 indicated were not subsequently amended;
 - 2 the records and information certified by Vistra (BVI) Limited, the registered agent of the Company and Real Jade Limited, on 9 August 2022 in respect of the Company and 12 August 2022 in respect of Real Jade Limited, of the statutory documents and records maintained by the Company at its registered office (the **Registered Agent's Certificates**);
 - 3 the public records of the Company on file and available for inspection at the Registry of Corporate Affairs, Road Town, Tortola, British Virgin Islands on 16 August 2022;
 - 4 the records of proceedings on file with, and available for inspection on 16 August 2022 at the High Court of Justice, British Virgin Islands;
 - 5 a copy of the written resolutions of the sole director of the Company dated 30 June 2022 approving the Company's entry into, and authorising the execution and delivery by the Company of, the Transaction Document (the **Resolutions**),
- (1 to 5 above are the **Corporate Documents**); and
- 6 an executed copy of a share sale and purchase agreement dated 30 June 2022 between Mudajaya Group Berhad, Xelmont Limited as buyer, the Company as seller and Real Jade Limited as target (the **Transaction Document**).

The Corporate Documents and the Transaction Document are collectively referred to in this opinion as the **Documents**.

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SCHEDULE 2

Assumptions

- 1 **Validity under Foreign Laws.** That (i) each party to the Transaction Document (other than the Company) has the necessary capacity, power and authority to enter into the Transaction Document and perform its obligations thereunder, and each such party has duly executed the Transaction Document; (ii) the Transaction Document constitutes valid, legally binding and enforceable obligations of each of the parties thereto under the laws of Malaysia by which law it is expressed to be governed; (iii) all formalities required under the laws of Malaysia and any other applicable laws (other than the laws of the British Virgin Islands) have been complied with; and (iv) no other matters arising under any foreign law will affect the views expressed in this opinion.
- 2 **Choice of Laws.** The choice of the laws of Malaysia selected to govern the Transaction Document has been made in good faith and will be regarded as a valid and binding selection which will be upheld in the courts of that jurisdiction and all other relevant jurisdictions (other than the British Virgin Islands) and the entry into and performance of the Transaction Document will not cause any of the parties thereto to be in breach of any agreement or undertaking.
- 3 **Directors.** The sole director of the Company considers the execution of the Transaction Document and the transactions contemplated thereby to be in the best interests of the Company and no director has a financial interest in or other relationship to a party or the transactions contemplated by the Transaction Document which has not been properly disclosed in the Resolutions.
- 4 **Bona Fide Transaction.** No disposition of property effected by the Transaction Document is made for an improper purpose or wilfully to defeat an obligation owed to a creditor.
- 5 **Solvency.** The Company was on the date of execution of the Transaction Document able to pay its debts as they fall due, and entering into the Transaction Document will not cause the Company to become unable to pay its debts as they fall due.
- 6 **Authenticity of Documents.** All original Documents are authentic, all signatures, initials and seals are genuine, all copies of Documents are true and correct copies and the Transaction Document conforms in every material respect to the latest draft of the same produced to us and, where the Transaction Document has been provided to us in successive drafts marked-up to indicate changes to such documents, all such changes have been so indicated.
- 7 **Corporate Documents.** All matters required by law to be recorded in the Corporate Documents are so recorded, all corporate minutes, resolutions, certificates, documents and records which we have reviewed are accurate and complete, and all facts expressed in or implied thereby are accurate and complete. The information recorded in the Registered Agent's Certificates was accurate as at the date of the passing of the Resolutions.
- 8 **Stamp Duty.** The Company does not own (directly or indirectly) an interest in land in the British Virgin Islands.
- 9 **No Steps to Wind-up.** The directors and shareholders of the Company have not taken any steps to appoint a liquidator of the Company and no receiver has been appointed over any of the property or assets of the Company.
- 10 **Resolutions.** The written Resolutions have been duly executed (and where executed by a corporate entity, such execution has been duly authorised if so required) by or on behalf of each director or shareholder (as the case may be), and the signatures and initials thereon are those of a person or persons in whose name the Resolutions have been expressed to be signed. The Resolutions remain in full force and effect.

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- 11 **Unseen Documents.** Save for the Documents provided to us there are no resolutions, agreements, documents or arrangements which materially affect, amend or vary the transactions envisaged in the Documents.

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SCHEDULE 3

Qualifications

- 1 **Enforceability.** The term *enforceable* as used above means that the obligations assumed by the Company under the relevant instrument are of a type which the courts of the British Virgin Islands enforce. It does not mean that those obligations will necessarily be enforced in all circumstances in accordance with their terms. In particular:
 - (a) **Insolvency.** Rights and obligations may be limited by bankruptcy, insolvency, liquidation, winding-up, reorganisation, moratorium, readjustment of debts, arrangements and other similar laws of general application affecting the rights of creditors.
 - (b) **Limitation Periods.** Claims under the Transaction Document may become barred under the Limitation Act 1961 relating to the limitation of actions in the British Virgin Islands or may be or become subject to defences of set-off, estoppel or counterclaim.
 - (c) **Equitable Rights and Remedies.** Equitable rights may be defeated by a *bona fide* purchaser for value without notice. Equitable remedies such as injunctions and orders for specific performance are discretionary and will not normally be available where damages are considered an adequate remedy.
 - (d) **Fair Dealing.** Strict legal rights may be qualified by doctrines of good faith and fair dealing - for example a certificate or calculation as to any matter might be held by a British Virgin Islands court not to be conclusive if it could be shown to have an unreasonable or arbitrary basis, or in the event of manifest error.
 - (e) **Prevention of Enforcement.** Enforcement may be prevented by reason of fraud, coercion, duress, undue influence, unreasonable restraint of trade, misrepresentation, public policy or mistake or limited by the doctrine of frustration of contracts.
 - (f) **Penal Provisions.** Provisions, for example, for the payment of additional interest in certain circumstances, may be unenforceable to the extent a court of the British Virgin Islands determines such provisions to be penal.
 - (g) **Currency.** A British Virgin Islands court retains a discretion to denominate any judgment in US dollars.
 - (h) **Confidentiality.** Provisions imposing confidentiality obligations may be overridden by the requirements of legal process.
 - (i) **Award of Costs.** In principle the courts of the British Virgin Islands will award costs and disbursements in litigation in accordance with the relevant contractual provisions but there remains some uncertainty as to the way in which the rules of the High Court will be applied in practice.
 - (j) **Inappropriate Forum.** The courts of the British Virgin Islands may decline to exercise jurisdiction in relation to substantive proceedings brought under or in relation to the Transaction Document in matters where they determine such proceedings may be tried in a more appropriate forum.
 - (k) **Financial Services Business.** An agreement made by a person in the course of carrying on unlicensed financial services business is unenforceable against the other party to the agreement under section 50F of the Financial Services Commission Act 2001.

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- 2 **Public Records.** Records reviewed by us may not be complete for various reasons. In particular you should note that:
- (a) in special circumstances the court may order the sealing of the court record, which would mean that a record of the court action would not appear on the High Court register;
 - (b) failure to file notice of appointment of a receiver with the Registry of Corporate Affairs does not invalidate the receivership but merely gives rise to penalties on the part of the receiver;
 - (c) a liquidator of a British Virgin Islands company has 14 days after their appointment within which they must file notice of their appointment at the Registry of Corporate Affairs; and
 - (d) although amendments to the Memorandum and Articles of Association of a company are normally effective from the date of registration with the Registry of Corporate Affairs, it is possible for a British Virgin Islands court to order that they be treated as being effective from an earlier date, and searches would not reveal the amendments until the court order was subsequently filed,
- and accordingly our searches would not indicate such issues.
- 3 **Severability.** The courts in the British Virgin Islands will determine in their discretion whether or not an illegal or unenforceable provision may be severed.
- 4 **Several Remedies.** In certain circumstances provisions in the Transaction Document that (i) the election of a particular remedy does not preclude recourse to one or more others, or (ii) delay or failure to exercise a right or remedy will not operate as a waiver of any such right or remedy, may not be enforceable.
- 5 **Exculpation and Indemnity Provisions.** The effectiveness of terms in any of the Transaction Document excusing any party from a liability or duty otherwise owed or indemnifying that party from the consequences of incurring such liability or breaching such duty are limited by law.
- 6 **Foreign Statutes.** We express no opinion in relation to provisions making reference to foreign statutes in the Transaction Document.
- 7 **Amendment.** A British Virgin Islands court would not treat as definitive a statement in a contract that it could only be amended or waived in writing but would be able to consider all the facts of the case particularly where consideration had passed to determine whether a verbal amendment or waiver had been effected and if it found that it had such verbal amendment or waiver would be deemed to have also amended the stated requirement for a written agreement.
- 8 **Good Standing.** To maintain the Company in good standing under the laws of the British Virgin Islands, annual licence fees must be paid to the Registrar of Corporate Affairs.
- 9 **Conflict of Laws.** An expression of an opinion on a matter of British Virgin Islands law in relation to a particular issue in this opinion should not necessarily be construed to imply that the British Virgin Islands courts would treat British Virgin Islands law as the proper law to determine that issue under its conflict of laws rules.
- 10 **Sanctions.** The obligations of the Company may be subject to restrictions pursuant to United Nations and United Kingdom sanctions as implemented under the laws of the British Virgin Islands.
- 11 **Economic Substance.** We have undertaken no enquiry and express no view as to the compliance of the Company with the Economic Substance (Companies and Limited Partnerships) Act 2018.

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SOLICITORS & NOTARIES

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Please reply to

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Your Ref:

Date: 27 June 2022

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PRIVATE AND CONFIDENTIAL

Mudajaya Group Berhad

Level 11, Menara Mudajaya

No. 12A, Jalan PJU 7/3 Mutiara Damansara,

47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

Attn: The Board of Directors

Dear Sir/ Madam,

Re: Hong Kong legal opinion on the policies on foreign investments, repatriation of profits and taxation

INTRODUCTION

1. We are the legal advisers to Mudajaya Group Berhad ("**Company**") on the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**") in connection with its proposed acquisition ("**Proposed Acquisition**") of the entire equity interest in Real Jade Limited ("**Real Jade**"), through the Company's wholly-owned subsidiary, Xelmont Limited. Real Jade and Xelmont Limited are companies incorporated in the British Virgin Islands. We have been instructed by the Company to deliver this opinion letter ("the "**Opinion**") on Hong Kong law in relation to (a) the policies on the following aspects, namely, (i) foreign investments; (ii) repatriation of profits; and (iii) taxation; and (b) title to the shares of two subsidiaries of Real Jade, namely, Shanghai Allied Cement Holdings Limited and Silver Bloom Holdings Limited (collectively, the "**HK Subsidiaries**" and singly as "**HK Subsidiary**"). The following is not intended to be exhaustive but merely to provide brief details and information which may be applicable to the Company.
2. This Opinion is specifically issued in relation to matters relating to the HK Subsidiaries which are incorporated under the laws of Hong Kong, and has been prepared by us solely for the purposes of inclusion in the Company's announcement and circular to seek its shareholders' approval for the Proposed Acquisition in accordance with the requirements of Bursa Malaysia Securities Berhad.
3. In giving this Opinion we have reviewed the certificate of incorporation, memorandum and articles of association and the Register of Members ("**ROM**") of each HK Subsidiary.

Partners

Lester G Huang

黃嘉純 #*

Co-Chairman

Henry HW Lai

賴顯榮 #*

Co-Chairman

Emily YM Lam

林月明 #A*

Simon SP Tang

鄧樹培 A

Franda CY Tang

鄧翠英

Elsa KY Cheng

鄭嘉裕

Agnes CC Wong

黃彩芝

Gary KC Wong

王嘉俊

Calvin CY Chow

周卓言

Cristovao KS Ngai

魏嘉信

Joanne YH Fung

馮若珩

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Ann SY Tang

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CH Wong

黃頌顯

Moses MC Cheng

鄭慕智 #*

Peter KH Ngai

魏國鴻

* Notary Public

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ASSUMPTIONS AND QUALIFICATIONS

4. For the purpose of giving this Opinion, we have, without further enquiry, assumed that:

- (i) there are no material facts in respect of the Proposed Acquisition and the affairs of Real Jade of which we are unaware and have not been disclosed to us;
- (ii) all the information furnished to us in connection with this Opinion is true, correct, accurate, not misleading and represents a complete and up-to-date account of the information given; and
- (iii) all documents made available to us as copies conform to the authentic original documents which copies purport to represent and all original documents, whether or not submitted or made available to us, are existing, as the case may be, and have not been carried, cancelled or superseded by some other document or agreement or action of which we are not aware of.

5. This Opinion is subject to the following qualifications:

- (i) this Opinion is limited to the laws of Hong Kong applicable on the date hereof and is given on the basis that it will be governed by and construed in accordance with the laws of Hong Kong;
- (ii) we express no opinion as to any law other than the laws of Hong Kong. We have not investigated, and we do not express or imply any opinion on, the laws of a jurisdiction outside Hong Kong, and we have assumed that no such laws of a jurisdiction outside Hong Kong would affect the opinion stated herein;
- (iii) we expressly disclaim any responsibility to advise the addressee or any other person who is permitted to rely on the opinion expressed herein of any development or circumstance of any kind including any change of law or fact that may occur after the date of this Opinion even though such development, circumstance or change may affect the legal analysis, a legal conclusion or any other matter set forth in or relating to this Opinion. We will not carry out a review and/or update this Opinion to take account of subsequent changes in the relevant Hong Kong laws after the date of this Opinion;
- (iv) we do not opine on or advise on the commercial desirability of the terms of the Proposed Acquisition, on the parties' ability to perform their obligations thereunder, or on the legality, validity or enforceability of the terms of the Proposed Acquisition;
- (v) we are unable to express any opinion on or verify any statement pertaining to all other information which are within the scope of expertise of other professional advisors;
- (vi) this Opinion is given for the sole benefit of the Company and we disclaim any responsibility, including for any tax defects or liabilities, to anyone other than the Company. This Opinion is not to be transmitted to any other party nor is it

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to be used or relied upon by any other person or for any other purposes or quoted or referred to in any public document or filed with any governmental or other authorities without our prior consent, except that a copy of this Opinion is permitted to be enclosed in the Company's circular to its shareholders in relation to the Proposed Acquisition. This Opinion does not constitute a recommendation to any shareholder of the Company or as to how any shareholder of the Company should vote in the Proposed Acquisition; and

- (vii) the statements made in this Opinion regarding policies on taxation in Hong Kong are general in nature and based on certain aspects of the taxation laws in Hong Kong and guidelines issued by the relevant government authorities in force as at the date of this Opinion, and are subject to any changes in such laws or guidelines, or in the interpretation of these laws and guidelines occurring after such dates. The statements in this Opinion are not to be regarded as advice on the tax position or consequences of any person or investors, or on any tax implications arising from the Proposed Acquisition, and do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to the Proposed Acquisition. Shareholders of the Company are advised to consult their own tax advisers as to the tax consequences of the Proposed Acquisition.

OPINION

- 6. Based solely on the foregoing and subject to the assumptions and qualifications set out above, our opinion on the policies on foreign investments, repatriation of profits and taxation are set out below.

Policies on foreign investments

- 7. As at the date of this Opinion, there are generally no restrictions against foreign investments in companies incorporated in Hong Kong. Foreign investors are generally allowed to incorporate companies in Hong Kong and hold 100% shareholding interests in such companies, save and except for certain regulated sectors where foreign investors would require prior approval from the relevant regulators, such as broadcasting.
- 8. Accordingly, given the HK Subsidiaries are investment holding companies with no operations in Hong Kong, there are no restrictions or prohibitions under Hong Kong laws against the respective shareholders of the HK Subsidiaries, being companies incorporated in the British Virgin Islands, in holding the shares of the HK Subsidiaries.

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9. Under the laws of Hong Kong there is no impediment against the HK Subsidiaries holding or owning shares in a corporation established in the People's Republic of China. There is also no restriction under the memorandum and articles of association of the HK Subsidiaries on the type of business that it may conduct or the investments it may make or own in foreign entities.

Policies on repatriation of profits

10. As at the date of this Opinion, there are no foreign exchange control restrictions under Hong Kong law that would prevent a repatriation of funds in a foreign currency from Hong Kong to another country by a Hong Kong company.
11. While there are no restrictions on the payment of profits by a Hong Kong company to a foreign shareholder, under s. 297 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), a company may only make a distribution out of "profits available for distribution", which is defined as accumulated and realized profits, so far as not previously utilized by distribution or capitalization, less the company's accumulated, realized losses, so far as not previously written off in a reduction or reorganization of capital.
12. Save and except for the above, there are no restrictions governing the repatriation of profits by the HK Subsidiaries to its overseas shareholders. Accordingly, profits repatriated by the HK Subsidiaries to its overseas shareholders are therefore not subject to any form of control provided it is in compliance with the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and their respective articles of association.

Policies on Taxation*Profits tax*

13. Hong Kong adopts a territorial system of taxation, whereby persons (including corporations) carrying on any trade, profession or business in Hong Kong are chargeable to profits tax under the following conditions, namely: (i) he/she/it carries on a trade, profession or business in Hong Kong; (ii) the trade, profession or business derives profits; and (iii) the profits arise in or are derived from Hong Kong.
14. The principles for determining the source of profits are as follows:
- (i) the nature of the profits and of the transactions which give rise to such profits;
 - (ii) the operations which produced the relevant profits and ascertain where those operations take place;
 - (iii) differentiating the geographical location of the profit-producing transactions from activities antecedent or incidental to those transactions;

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- (iv) the place where the day-to-day investment/business decisions take place is only one factor, and usually not the deciding factor, to determine the source of profits;
 - (v) differentiating Hong Kong profits and offshore profits by making reference to the gross profits arising from individual transactions; and
 - (vi) where the principal place of business is located in Hong Kong and there is no business presence overseas, profits earned by that business are likely to be chargeable to profits tax in Hong Kong.
15. In addition, certain sums derived from intellectual properties, not otherwise chargeable to tax, will be deemed as trading receipts arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong under section 15 of the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong).
16. The following sums are excluded from Hong Kong profits tax:
- (i) dividends received from a corporation which is subject to Hong Kong profits tax;
 - (ii) amounts already included in the assessable profits of other persons chargeable to Hong Kong profits tax;
 - (iii) interest on tax reserve certificates;
 - (iv) interest on, and any profit made in respect of a bond issued under the Loans Ordinance (Cap. 61 of the Laws of Hong Kong) or the Loans (Government Bonds) Ordinance (Cap. 64 of the Laws of Hong Kong), or in respect of an exchange fund debt instrument or in respect of a Hong Kong dollar-denominated multilateral agency debt instrument;
 - (v) interest income and trading profits derived from long term debt instruments;
 - (vi) interest, profits or gains from qualifying debt instruments (issued on or after 1 April 2018) exempted from payment of profits tax;
 - (vii) sums received or accrued in respect of a specified investment scheme by or two the person as a person chargeable to profits tax in respect of a mutual fund, unit trust or similar scheme that is either (a) authorized as a collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong); or (b) the commissioner of inland revenue of Hong Kong is satisfied that the mutual fund, unit trust or investment scheme is a bona fide widely held investment which complies with the requirements of a supervisory authority within an acceptable regulatory regime;
 - (viii) interest derived from any deposit placed in Hong Kong in an authorized institution, excluding interest received or accrued to a financial institution; and
 - (ix) interest on and any profit made in respect of Renminbi sovereign bonds.
17. With effect from the year of assessment 2018/2019, there is a two-tiered profits tax rates regime in Hong Kong for a Hong Kong company, under which the first HK\$2 million

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of assessable profits will be subject to the tax rate of 8.25%, and the assessable profits above HK\$2 million will continue to be subject to the tax rate of 16.5%.

18. To avoid the abuse of the two-tiered tax regime, a group of companies consisting of a parent company and fellow subsidiaries can only nominate one entity to apply the two-tiered tax rates. When the parent company (i.e. Shanghai Allied Cement Holdings Limited) elects that it is chargeable at the two-tiered profits tax rates for the relevant year of assessment whereby no other connected entity (i.e. Silver Bloom Holdings Limited) is so chargeable, under such circumstances, Silver Bloom Holdings Limited would be charged at a standard tax rate of 16.5% for its assessable profits.

Capital gains tax, value-added tax and withholding tax

19. There is no capital gains tax in Hong Kong. However, gains on disposal of assets may be subject to profits tax if the disposal constitutes a transaction in the nature of trade.
20. Hong Kong does not impose any value-added tax and withholding tax.

Stamp duty

21. With effect from 1 August 2021, the contract note for sale or purchase of Hong Kong stock is subject to a stamp duty of 0.13% of the amount of the consideration or of its value on every sold note or bought note, and the transfer operating as a voluntary disposition inter vivos of Hong Kong stock will be subject to a stamp duty of HK\$5 plus 0.26% of the value of the stock. For such Hong Kong stock which are traded on the Hong Kong Stock Exchange, the last closing price will normally be accepted as the value of the share(s) transferred. In the case of unlisted Hong Kong stock, the value has to be ascertained from the latest accounts of the company in respect of which share(s) therein is/are to be transferred.

Tax incentive

22. There are no tax incentive schemes targeted for foreign investors of a Hong Kong company.

Title to Shares in the HK Subsidiaries

23. The ROM of each HK Subsidiary is, under the laws of Hong Kong, the official record and evidence of legal title to shares held by its shareholders. Real Jade Limited and Splendid Link Limited, being the members entered in the ROM of Shanghai Allied Cement Holdings Limited, have the legal title to such shares of Shanghai Allied Cement Holdings Limited held by them respectively as shown in the ROM of Shanghai Allied Cement Holdings Limited. SAC Intellectual Properties Limited, being a member

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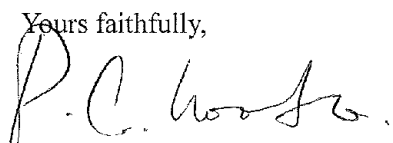
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entered in the ROM of Silver Bloom Holdings Limited, has the legal title to its shares of Silver Bloom Holdings Limited held by it as shown in the ROM of Silver Bloom Holdings Limited.

Yours faithfully,



P. C. Woo & Co.

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Level 11, Menara Mudajaya
No. 12A, Jalan PJU 7/3 Mutiara Damansara,
47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

Attn: The Board of Directors

Dear Sirs/ Madam,

**Opinion re Enforceability of Malaysian Court
Judgments in Hong Kong**

**Re: Proposed Acquisition of the entire equity interest in Real Jade Limited
through Xelmont Limited (the "Proposed Acquisition")**

1. We have been instructed by Mudajaya Group Berhad (the "Company") to prepare this Opinion expressing our views as Hong Kong qualified lawyers on the question of whether a Malaysian Court Judgment obtained in respect of a breach of the Share Sale and Purchase Agreement dated 30 June 2022 ("SSPA") for the Proposed Acquisition (assuming the SSPA is duly executed and enforceable by all parties under Malaysian law) is enforceable in Hong Kong.
2. We refer to Clause 15.1 of the SSPA which provides :-

(a) This Agreement is governed by the laws of Malaysia; and

* Notary Public
A Accredited Mediator
China-Appointed
Attesting Officer

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an alliance of international law firms, headquartered in Switzerland.
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(b) Each Party irrevocably submits to the non-exclusive jurisdiction of the Courts of Malaysia.

3. Our advice assumes that the SSPA will not be varied by the parties at a future date to introduce a dispute resolution clause in addition to the above mentioned sub-clause (b) and/or to vary the said clause. Our advice is also issued on the basis that sub-clause (b) is interpreted under Malaysian law to mean that the parties are entitled to commence proceedings in the Courts of Malaysia for the purpose of enforcing the terms of the SSPA. Please note that the choice of which Malaysian court where such proceedings should be commenced is a question of Malaysian law and should be addressed by a Malaysian qualified lawyer.
4. Further and for the avoidance of doubt, this Opinion does not cover the procedural steps required in Hong Kong for registration of the foreign judgment in question, cases in which registered judgments must or may be set aside and enforcement of foreign judgments in Hong Kong.

Enforceability of Malaysian Court Orders and/or Judgments in Hong Kong generally

5. Foreign judgments in civil and commercial matters may generally be enforced in the Hong Kong Special Administrative Region ("HKSAR") under a statutory registration scheme or at common law.
6. The statutory registration scheme for foreign judgments is provided for under the Foreign Judgments (Reciprocal Enforcement) Ordinance, Chapter 319 of the Laws of Hong Kong ("Cap. 319"). Cap. 319 facilitates reciprocal recognition and enforcement of judgments on the basis of reciprocity.
7. A judgement creditor with a judgment from a jurisdiction designated

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under Cap. 319 may apply to the Court of First Instance in Hong Kong for registration of the judgment provided that the relevant requirements under Cap. 319 are met (which includes, amongst other things, that the judgment is a final and conclusive monetary judgment obtained from a superior court of a designated jurisdiction (*see discussion below*)).

8. Malaysia is a designated jurisdiction by virtue of Section 3 of Cap. 319 and the Foreign Judgments (Reciprocal Enforcement) Order ("Cap. 319A"). Section 3 of Cap. 319 provides that :-

"3. Power to extend the provisions of the Ordinance to countries giving reciprocal treatment

- (1) *The Governor in Council, if he is satisfied that, in the event of the benefits conferred by this Ordinance being extended to judgments given in the superior courts of any foreign country, substantial reciprocity of treatment will be assured as respects the enforcement in that foreign country of judgments given in the superior courts of the Colony, may by order direct –*
 - (a) *that the provisions of this Ordinance shall extend to that foreign country; and*
 - (b) *that such courts of that foreign country as are specified in the order shall be deemed superior courts of that foreign country for the purposes of this Ordinance.*
- (2) *Any judgment of a superior court of any foreign country to which the provisions of this Ordinance extend, other than a judgment of such a court given on appeal from a court which is not a superior court, shall be a judgment to which the provisions of this Ordinance apply, if –*
 - (a) *it is final and conclusive as between the parties thereto; and*
 - (b) *there is payable thereunder a sum of money, not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty; and*
 - (c) *it is given after the coming into operation of the order directing that the provisions of this Ordinance shall extend to that foreign country.*
- (3) *For the purposes of this section, a judgment shall be deemed to be final and conclusive notwithstanding that an appeal is pending*

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against it, or that it may still be subject to appeal, in the courts of the country of the original court.

(4) *The Governor in Council may by a subsequent order vary or revoke any order previously made under this section.* (emphasis added)

9. The relevant provisions under Cap. 319A go on to provide (in particular at Part 2 of the 1st Schedule) that Cap. 319 applies to judgments given by the superior courts of Malaysia. It is important to bear in mind that the statutory regime under Cap. 319 only applies to the judgments of superior courts from the specified jurisdiction and enforcement of other courts' judgments is governed by common law principles which will be discussed briefly below. In respect of Malaysia, "superior courts" is defined under Section 4 of Cap.319A as: "courts having *unlimited jurisdiction in civil and criminal matters.*" (emphasis added) It is important to note that whether a particular Malaysian court has unlimited civil and criminal jurisdiction is a question of Malaysian law and should be assessed by a Malaysian-qualified lawyer.

10. You will also note from Section 3(2) of Cap. 319 cited at paragraph 8 above that a judgment of a superior court which is given on appeal from a lower court judgment is excluded from Hong Kong's statutory regime.

11. It is important to further note, generally, that a "judgment" is defined under Section 2 of Cap. 319 as :-

*"(a) a judgment or order given or made by a court in any civil proceedings; or
(b) a judgment or order given or made by a court in any criminal proceedings for the payment of a sum of money in respect of compensation or damages to an injured party,
but **does not include** a judgment which by virtue of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Cap. 46) cannot be recognized or enforced in Hong Kong;"* (emphasis added)

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12. In gist, Cap. 46 above excludes from Cap. 319 foreign judgments obtained through proceedings commenced *contrary to* an agreement under which the dispute in question was to be settled otherwise than by proceedings in the courts of that country.¹
13. In light of the above, Malaysian monetary judgments obtained from a superior court in Malaysia which are final and conclusive may, subject to the above-mentioned caveats, generally be registered² in the High Court of Hong Kong pursuant to Cap. 319 and subsequently enforced in accordance with the relevant laws of Hong Kong.

Enforcement of a Malaysian Judgement issued otherwise than by a "superior court"

14. We note that clause 15.1(b) of the SSPA cited at paragraph 2 above provides that the parties irrevocably submit to the non-exclusive jurisdiction of the Courts of Malaysia without reference to any specific court or level of court. As such, we will also address the scenario in which a judgment in respect of any possible breach of the SSPA is obtained from a non-"superior court". Please note that the choice of Malaysian court is also a question of Malaysian law which should be assessed by a Malaysian qualified lawyer.
15. As mentioned at paragraph 9 above, Cap. 319 would not be applicable if a judgment is obtained from a Malaysian court which is not a "superior court" as defined under Cap. 319A and one would need to rely on common law principles in considering the enforceability of such a

¹ See Section 3 of Cap. 46

² An application may be made at any time within 6 years after the date of the judgment (see Section 4 of Cap. 319 for other caveats)

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judgment.

16. Under the common law regime, the essential requirements, according to the decision of *Jiang Xi An Fa Da Wine Co Ltd v Zhan King* (HCMP 1574/2017) (at paragraph 52) made by Lisa Wong J in Chambers, which the judgment creditor must generally prove are that the foreign judgment in question is :-
 - 16.1. Final and conclusive on the merits;
 - 16.2. Between the same parties (or their privies) as those before the Hong Kong court on an identical issue;
 - 16.3. In respect of a debt or fixed sum of money;
 - 16.4. Rendered by a court which had competent jurisdiction over the parties and the subject-matter;
 - 16.5. Not impeachable according to the rules on conflict of laws of Hong Kong.
17. For the sake of completeness, a foreign judgment does not have to originate from a common law jurisdiction.
18. The above criteria are assessed by the Court of Hong Kong on a case by case basis. That is to say, each foreign judgment brought before the Court for recognition under the common law regime would be assessed to see if it meets all the necessary limbs set out at paragraphs 16.1 to 16.5 above.
19. In consideration of the above, our view is that Malaysian Judgments may generally be recognized in Hong Kong under common law as well and subsequently enforced in accordance with the relevant laws of Hong Kong.

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20. However, as it is impracticable to exhaustively set out the different possible scenarios or circumstances in which a Malaysian judgment may not be recognized by the Hong Kong Court under the common law regime, the Company should (if it intends to enforce a potential judgment in Hong Kong) first seek advice from a Malaysian qualified lawyer (who may then confer with a Hong Kong qualified lawyer) before commencing any claims for the enforcement of the terms of SSPA.

Date: 23 August 2022



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中伦文德胡百全（前海）联营律师事务所

P.C.WOO & ZHONGLUN W.D. LLP

案号：（2022）中伦文德前海专字第 022 号

PRC Legal Opinion

By

P.C. Woo & Zhonglun W.D. LLP



24 April 2022



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To: MUDAJAYA GROUP BERHAD

P.C. Woo & Zhonglun W.D. LLP (hereinafter referred to as “the Law Firm”) is the Law Firm with Legal Practicing Qualification in the People’s Republic of China (hereinafter referred to as “PRC”, for the purpose of this legal opinion, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Law Firm hereby accepts the entrustment of MUDAJAYA GROUP BERHAD (hereinafter referred to as “the Client”), and provides a PRC legal opinion regarding the foreign investment policies.

The Law Firm hereby provide this legal opinion based on the following statements:

- (1) This legal opinion is confined to and given on the basis of the facts occurred or existing and the laws and regulations of PRC before the date hereof. The Law Firm affirms whether some matters are lawful and valid is based on the laws and regulations as at the date of the matters occurred, and also takes fully consideration of the relevant approval and confirmation provided by the competent authorities of Chinese government.
- (2) The Client or the relevant parties have provided true, accurate, complete and valid documents, materials or oral statements and explanations that we believe are necessary for the issuance of this legal opinion, and there is no concealment, falsity or material omission; the copies or photocopies provided by the Client or the relevant parties are consistent with and in conformity with the original materials or originals; the signatures and seals on the documents and materials provided by the Client or the relevant parties are authentic and the legal procedures required for such signatures and seals have been fulfilled and legal authorization has been obtained.
- (3) All the oral statement and explanation from the Client or the providers of related documents are consistent with the facts occurred.
- (4) This legal opinion is for the Client’s reference and decision-making only, any other use or application without the written permit from the Law Firm is strictly prohibited.

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Based on the statements above, the lawyers of the Law Firm provide the legal opinions, in accordance with the laws, regulations and normative documents of PRC, for your reference.

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3.3 People's Republic of China (PRC)

i. Policies on foreign investment

Pursuant to the PRC Foreign Investment Law ("FIL") and its relevant regulations, foreign investors are entitled to directly or indirectly engage in investment activities within the territory of PRC. Foreign invested enterprises ("FIE") enjoy national treatment as domestic enterprises, that is to say, FIEs shall also be subject to PRC Company Law and PRC Partnership Enterprise Law.

Under the foreign investment regime of PRC, proposed investments may fall within "restricted", "prohibited", or "encouraged" categories.

First of all, the Negative List for Market Access (2022 Edition) enumerates the industries, sectors and businesses that are prohibited from investing and operating in PRC or that may be allowed to invest and operate with the appropriate licenses. The said list applies to all the companies registered in PRC, including domestic and foreign investors.

Secondly, the National Development and Reform Commission and the Ministry of Commerce updates annually the Special Administrative Measures for Foreign Investment Access (Negative List) (hereinafter referred to as the "Negative List"). The Negative List (2021 Edition) sets out 31 special administrative measures which restrict or prohibit foreign investment.

Foreign investments in the "encouraged" category are listed in the Catalogue of Encouraged Industries for Foreign Investment (2020 Edition) which provides 480 encouraged foreign investment categories.

Other relevant rules concerning foreign investment include the Special Administrative Measures (Negative List) for Access of Foreign Investment in Pilot Free Trade Zones (2021 Edition), which applies to foreign investment in Free Trade Zones.

Pursuant to the relevant laws and regulations of the PRC, investors from Hong Kong are subject to the PRC policies on foreign investment, which mainly are FIL, Implementation Regulations for FIL, Measures on Reporting of Foreign Investment Information, and Announcement of the Ministry of Commerce on Matters Relating to Reporting of Foreign Investment Information etc. Provided always that if there are any preferential opening-up measures set out in the Mainland and Hong Kong Closer Economic Partnership Arrangement and its related agreements, provisions of such

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Arrangement and its related agreements shall prevail.

Based on business licenses of Shanghai Allied Cement Co., Ltd., Shandong Allied Wangchao Cement Limited, Shandong Shanghai Allied Cement Co., Ltd., Zaozhuang Laisheng New Building Materials Co., Ltd., Shanghai Guorui Tongshun Energy Saving, Environmental Protection Technology Development Co., Ltd., Shanghai Guokunsheng Construction Group Co., Ltd. (hereinafter collectively referred to as "Real Jade's Companies in PRC") provided by Shanghai Allied Cement Co., Ltd., the business scopes recorded in the business licenses of Real Jade's Companies in PRC do not fall under the prohibited or restricted categories contained in the Negative List for Market Access (2022 Edition), the Negative List (2021 Edition), nor the Special Administrative Measures (Negative List) for Access of Foreign Investment in Pilot Free Trade Zones (2021 Edition). Therefore, there is no impediment against the foreign shareholders in holding or owning shares of the Real Jade's Companies in PRC.

ii. Policies on repatriation of profits

Subject to FIL, foreign investors may freely remit into or out of PRC, in Renminbi (the official currency of PRC) or any other foreign currency, their capital contributions, profits, capital gains, proceeds from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on within the territory of PRC. Foreign investors shall also comply with the requirements set forth below:

A. Relevant provisions in PRC Company Law

The PRC Company Law stipulates that companies shall contribute 10% of the profits into their statutory capital reserve upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory capital reserve is more than 50% of its registered capital.

Where the balance of the statutory capital reserve of a company is insufficient to make good its losses in the previous year, the company shall make good such losses using its profits of the current year before making contribution to the statutory capital reserve.

Upon contribution to the statutory capital reserve with its post-tax profits, a company may make further contribution to the capital reserve with its post-tax profits in accordance with a resolution of the board of shareholders or a shareholders' general meeting.

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After making up its losses and accrued reserves, a PRC limited liability company may distribute post-tax profits subject to the articles of associations of the company. Pursuant to the articles of associations of Real Jade's Companies in PRC provided by Shanghai Allied Cement Co., Ltd., there are no restrictions on the repatriation of profits to their foreign shareholders provided that it has been approved by the shareholder(s) or the board of directors.

B. Relevant provisions in PRC Tax Laws

Pursuant to PRC Corporate Income Tax ("CIT") Law (Amended in 2018), CIT shall be payable by a resident enterprise for income derived from or accrued in or outside PRC. CIT shall also be payable by a non-resident enterprise, for income derived from or accrued in PRC by its office or premises established in PRC, and for income derived from or accrued outside PRC for which the said established office or premises has substantial connection. Where the non-resident enterprise has no office or premises established in PRC or the income derived or accrued has no substantial connection with the office or premises established in the PRC, then the CIT payable by the non-resident enterprise will be for income derived from or accrued in PRC only.

The CIT Law provides that the various sources of income received by an enterprise include income from sale of goods, income from provision of labor services, income from transfer of property, gains from dividends, bonus issues or other returns on equity investment, interest income, rental income, income from royalties, income from gifts and donations and other income.

iii. Policies on taxation

According to the relevant taxation laws and regulations in PRC, FIE are subject to CIT, value added tax ("VAT") and other applicable taxes and fees such as urban maintenance and construction tax, education surtax, local education surtax, stamp tax and urban and township land-use tax, etc.

Pursuant to the CIT Law, resident enterprises are subject to CIT on their worldwide income and the standard tax rate for resident enterprises shall be 25%. Where Non-resident enterprises have no office or premises established in PRC or the income derived or accrued has no substantial connection with the office or premises established, CIT payable by the non-resident enterprises for income derived from or accrued in PRC will be 10%, unless there exist any applicable tax treaties stipulating deduction or exemption of

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the relevant tax between PRC and the jurisdiction where non-resident enterprise operates.

Entities engaging in sales of goods or processing, repair and assembly services, sales of services, intangible assets, immovable properties and importation of goods in PRC shall be subject to VAT with tax rate from 0% to 17% in accordance with varied taxable conducts.

The specific taxes and tax rates applicable for the FIE shall be subject to the ratification of the relevant local tax authorities according to the actual business operation of the FIE.

According to the tax rate tables of Real Jade's Companies in PRC provided by Shanghai Allied Cement Co., Ltd., specific taxes and tax rates currently applicable to and payable by Real Jade's Companies in PRC are set as follows:

A. Shanghai Allied Cement Co., Ltd.

Tax Item	Tax Rate	Note
VAT-Sales of goods	13%	
VAT-Real estate rental	5%	
VAT-Return of individual income tax service charge and Proceeds from Auction of Licence Plates	6%	
Education surtax	5%	
Local education surtax	3%	
Urban maintenance and construction tax	2%	
CIT	25%	
Stamp tax	-	Filed separately according to specific taxable items.
Real estate tax	-	For self-occupied estates, the taxable amount shall be 1.2% of the original value with certain deduction (1-30%). As for the rental properties, the taxable amount shall be

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		12% of the rental income.
Land use tax	-	Based on actual area and grade of land.
Individual income tax	-	

B. Shandong Allied Wangchao Cement Limited.

Tax Item	Tax Rate	Note
VAT - Sale of goods	13%	
VAT - Real estate rental	9%	
VAT - Financial services	6%	
Urban maintenance and construction tax	7%	
Education surtax	3%	
Local education surtax	2%	
Stamp tax	0.03%-0.1%	
CIT	15%	
Individual income tax	5%-45%	
Real estate tax	1.2% for 70% of the original value of the property	
Land use tax	RMB 2.4 per square meter	
Resources tax	6% for limestone; RMB 1.5 per stere for water	
Environment protection tax	RMB 6 perKG; RMB 1.2 per KG	Different tax rates per unit shall be applicable based on the emissions.
Vehicle and vessel tax	Machinery wagons(inside the facotry)' tonnage*72; Different tax rates per unit shall be applicable based on the emissions of vehicles.	
Motor vehicle acquisition tax	10% of purchase price	

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C. Shandong Shanghai Allied Cement Co., Ltd.

Tax Item	Tax Rate	Note
VAT - Sale of goods	3%	
Urban maintenance and construction tax	7%	
Education surtax	3%	
Local education surtax	2%	
Stamp tax	0.03%-0.1%	
CIT	25%	
Individual income tax	5%-45%	

D. Zaozhuang Laisheng New Building Materials Co., Ltd.

Tax Item	Tax Rate	Note
VAT	13%	
Urban maintenance and construction tax	7%	
Education surtax	3%	
Local education surtax	2%	
Stamp tax	0.03%-0.1%	
CIT	25%	
Individual income tax	-	

E. Shanghai Guorui Tongshun Energy Saving, Environmental Protection Technology Development Co., Ltd.

Tax Item	Tax Rate	Note
VAT-Sale of goods, repair and maintenance services	13%	
VAT-Engineering services, installation services and other construction services	9%	
VAT-Technical services	6%	
Education surtax	5%	
Local education surtax	3%	
Urban maintenance and construction tax	2%	
CIT	Enjoy tax benefits for small and	20% CIT rate on 12.5% of the taxable income

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	micro enterprises	amount for the portion of annual taxable income not exceeding RMB 1 million; 20% CIT rate on 50% of taxable income amount for the portion of annual taxable income more than RMB 1 million but not exceeding RMB 3 million.
Stamp tax	-	Filed separately according to specific taxable items.
Individual income tax	-	

F. Shanghai Guokunsheng Construction Group Co., Ltd.

Tax Item	Tax Rate	Note
VAT-Sale of goods, repair and maintenance services	13%	
VAT-Engineering services, installation services, decoration services and other construction services	9%	
VAT-Technical services	6%	
Education surtax	5%	
Local education surtax	3%	
Urban maintenance and construction tax	2%	
CIT	Enjoy tax benefits for small and micro enterprises	20% CIT rate on 12.5% of the taxable income amount for the portion of annual taxable income not exceeding RMB 1 million; 20% CIT rate on 50% of taxable income amount for the portion of annual

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		taxable income more than RMB 1 million but not exceeding RMB 3 million.
Stamp tax	-	Filed separately according to specific taxable items.
Individual income tax	-	

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Legal Opinion
In The People's Republic of China

By

P.C. WOO & ZHONGLUN W.D. LLP

24 August 2022



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To: MUDAJAYA GROUP BERHAD

P.C. WOO & ZHONGLUN W.D. LLP (“**We**” or the “**Law Firm**”) understand that Mudajaya Group Berhad (hereinafter referred to as the “**Client**”), expects to purchase, through its wholly owned subsidiary Xelmont Limited, 100% of the equity interest of Real Jade Limited (the “**Real Jade**”) held by Minyi Holdings Limited (the “**Minyi Holdings**”) so as to indirectly hold 100% of the equity interest of domestic companies in the People’s Republic of China (hereinafter referred to as the “**PRC**”, for the purpose of this legal opinion, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan) of Real Jade (the “**Acquisition Project**”), i.e. Shanghai Allied Cement Co., Ltd. (上海联合水泥有限公司) (hereinafter referred to as “**Shanghai Allied Cement**”), Shandong Allied Wangchao Cement Limited (山东联合王晁水泥有限公司) (hereinafter referred to as “**Shandong Wangchao Cement**”), Shandong Shanghai Allied Cement Co., Ltd. (山东上联水泥发展有限公司) (hereinafter referred to as “**Shandong Shanghai Allied Cement**”), Zaozhuang Laisheng New Building Materials Co., Ltd. (枣庄徕盛新型建材有限公司) (hereinafter referred to as “**Zaozhuang Laisheng**”), Shanghai Guorui Tongshun Energy Saving and Environmental Protection Technology Development Co., Ltd. (上海国瑞同顺节能环保技术发展有限公司) (hereinafter referred to as “**Shanghai Guorui Tongshun**”), and Shanghai Guokunsheng Construction Group Co., Ltd. (上海国琨晟建设集团有限责任公司) (hereinafter referred to as “**Shanghai Guokunsheng**”, the above-mentioned six companies hereinafter collectively referred to as the “**Real Jade’s Companies in the PRC**”).

We are the Law Firm with Legal Practicing Qualification in the PRC. The Law Firm hereby accepts the entrustment of the Client and provides a PRC Legal Opinion (hereinafter referred to as the “**Opinion**”) regarding shareholders’ information of the Real Jade’s Companies in the PRC and whether the Share Sale and Purchase Agreement (SSPA) signed by the parties in relation to the Acquisition Project is governed by the laws of the PRC.

A. DOCUMENTS

For the purpose of rendering this Opinion, we have reviewed the copies of the documents (“**Documents**”) as detailed below:

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- (a) The registers of shareholders of each Real Jade's Company in the PRC provided by Shanghai Allied Cement via WeChat from 12 August 2022 to 17 August 2022 respectively;
- (b) Replies to the document list of each Real Jade's Company in the PRC provided by Shanghai Allied Cement via WeChat from 12 August 2022 to 17 August 2022 respectively, including, but not limited to, reply to the document list, register of shareholders, copies of shareholders' registration certificates, business licences or ID cards, trust agreement; and
- (c) The SSPA signed by the Client, Xelmont Limited, Minyi Holdings, and Real Jade on 30 June 2022 that the Client sent us by email on 12 August 2022.

For the specific list of the Documents, please refer to Annex I.

B. SEARCHES

Based on the communication with the Client, we have conducted or arranged to conduct the following searches:

Shareholders' information of each Real Jade's Company in the PRC on the National Enterprise Credit Information Publicity System on 15 August 2022.

C. ASSUMPTIONS

For the purposes of this Opinion we have assumed without further enquiry that:-

- (a) the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, photostatic or facsimile copies and the authenticity; and where a document has been examined by us in draft or specimen term, it will be or has been executed in the form of that draft of specimen;

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- (b) all copies and all documents (whether original or copy) dated earlier than the date of this Opinion on which we have expressed reliance remain accurate, complete and in full force and effect at the date of this Opinion;
- (c) the Documents contain all relevant information which is material for the purposes of this Opinion and there is no other arrangement (oral or written) among the parties or any other matter, event or information which affect the conclusion stated in this Opinion;
- (d) the searches above were and remain at the date hereof accurate, complete, and up-to-date and disclose all information which is material for the purpose of this Opinion. Had such searches been made on the date hereof, they would have revealed no other information which is not revealed in such searches;
- (e) based on the communication with the Client and the confirmation from the Client, in order to save time, our proper verification is limited to online verification on the National Enterprise Credit Information Publicity System and we did not go to the relevant administration for market supervision in the location of each of Real Jade's Company in the PRC to retrieve the internal industrial and commercial documents or go to any third party for on-site verification;
- (f) no law (other than the law of the PRC) affects any of the conclusions stated in this Opinion;
- (g) insofar as any document requires performance or may be performed in a jurisdiction outside the PRC, performance will not be illegal or constrained under the laws of that or any other relevant jurisdiction;
- (h) all statutory provisions relevant to this Opinion were validly adopted and are fully enforceable;
- (i) the Opinion is confined to and given on the basis of the facts occurred or

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existing and the laws and regulations of the PRC before the date hereof. The Law Firm affirms whether some matters are lawful and valid is based on the laws and regulations as at the date of the matters occurred; and

- (j) this Opinion is for the Client's reference and decision-making only, any other use or application without the written permit from the Law Firm is strictly prohibited.

D. OUR LEGAL OPINIONS

On the basis of and subject to the foregoing, we are of the opinion that:

1. Shareholders' Information of the Real Jade's Companies in the PRC

According to the Documents provided by Shanghai Allied Cement and the results of our search on the National Enterprise Credit Information Publicity System, the shareholders' information¹ of Real Jade's Companies in the PRC is as follows:

- (a) Shareholders of Shanghai Guokunsheng and their shareholding ratios:

Shareholders of Shanghai Guokunsheng	Shareholding ratio
Shanghai Guorui Tongshun 上海国瑞同顺节能环保技术发展有限公司	51%
Guoyuan (Hainan) Construction Engineering Co., Ltd. 国元（海南）建筑工程有限公司	43%
Li Zhixiang 李志祥	4%
Huang Xunhao 黄洵浩	2%

- (b) Shareholders of Shanghai Allied Cement and their shareholding ratios:

¹ In the event the shareholder is a company established in the PRC or a Chinese person, its/his/her name of the Chinese version shall prevail.

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Shareholders of Shanghai Allied Cement	Shareholding ratio
Shanghai Building Materials (Group) Co., Ltd. 上海建材（集团）有限公司	40%
AII - SHANGHAI INC. 联合国际工业（上海）有限公司 (a company established under the laws of the British Virgin Islands(BVI))	60%

(c) Shareholders of Zaozhuang Laisheng and their shareholding ratios:

Shareholders of Zaozhuang Laisheng	Shareholding ratio
Shandong Wangchao Cement 山东联合王晁水泥有限公司	70%
Hong Kong Eternal Bloom Holdings Limited 香港徕盛控股有限公司	30%

(d) Shareholders of Shanghai Guorui Tongshun and their shareholding ratios:

Shareholders of Shanghai Guorui Tongshun	Shareholding ratio
Shandong Shanghai Allied Cement 山东上联水泥发展有限公司	70.83%
Gecos Environmental Protection Technology Co., Ltd. 上海国瑞环保科技股份有限公司	4.17%
Huang Wuhu 黄五湖	3.70%
Yu Zhong 余忠	1.60%
Huang Zhenwei 黄臻卫	1.60%
Dai Zhengping 戴正平	1.60%
Lu Min 陆敏	0.50%

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Wen Caixia 温彩霞	1.60%
Huang Xunhao 黄洵浩	8.95%
Li Chao 李超	1.85%
Fan Yibin 范宜斌	1.00%
Zhang Yunfeng 张云峰	1.60%
Guo Chenfeng 郭晨凤	1.00%

(e) Shareholder of Shandong Shanghai Allied Cement and its shareholding ratio:

Shareholder of Shandong Shanghai Allied Cement	Shareholding ratio
AII - CEMENT LIMITED (香港)联合国国际工业水泥有限公司	100%

(f) Shareholders of Shandong Wangchao Cement and their shareholding ratios:

Shareholders of Shandong Wangchao Cement	Shareholding ratio
Shanghai Allied Cement Holdings Limited 上联水泥集团有限公司	87.47%
AII - SHANGHAI INC. 联合国国际工业（上海）有限公司 (a company established under the laws of the BVI)	12.53%

- i) According to the Documents provided by Shanghai Allied Cement, AII - SHANGHAI INC. signed a Trust Agreement with Shanghai Allied Cement Holdings Limited on May 20, 2020. Under the Trust Agreement, Shanghai Allied Cement Holdings Limited entrusted AII-SHANGHAI INC. to hold

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12.53% of the equity interest of Shandong Wangchao Cement on its behalf. Concerning our search result on the National Enterprise Credit Information Publicity System, Shanghai Allied Cement Holdings Limited is the registered shareholder of Shandong Wangchao Cement, holding 87.47% of the equity interest in Shandong Wangchao Cement. Therefore, We understand that Shanghai Allied Cement Holdings Limited actually holds 100% of the equity interest in Shandong Wangchao Cement.

ii) The legal effect of the share-holding entrustment

Pursuant to Article 24 of the Provisions of Supreme People's Court on Several Issues Relating to Application of the Company Law of the PRC (III) (Amended in 2020), in case an actual contributor of a limited liability company concludes a contract with a nominal contributor, agreeing that the actual contributor shall make capital contribution and enjoy the investment rights and interests and the nominal contributor shall be the nominal shareholder, if there is any dispute over the validity of the contract between the actual contributor and the nominal shareholder, the people's court shall hold the contract valid, provided that there is no circumstance for the contract to be invalid as prescribed by law.

Also, Article 32 of the Company Law of the PRC (Amended in 2018) regulates that, limited liability companies shall set up a register of shareholders which states the following matters: (1) name and address of the shareholders; (2) amount of capital contribution of the shareholders; and (3) serial numbers of the capital contribution certificates. Shareholders named in the register of shareholders may exercise their shareholders' rights in accordance with the register of shareholders. Companies shall register the names of their shareholders with the company registration authorities. Where there is a change in the registration details, a change of registration formalities shall be completed. Where the registration or change of registration formalities are not completed, no defence against third-party claims shall be made.

According to the above provisions, We understand that if there is no

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circumstance for the trust agreement to be invalid as prescribed by the PRC laws, the trust agreement shall be legally binding upon both parties and the nominee relationship agreed by both parties shall be valid; provided, however, that the nominee relationship of the parties shall not confront a third party.

However, it is noted that, in accordance with the Trust Agreement, it is governed by the Laws of the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”). Consequently, whether the Trust Agreement has legal effect needs to be further verified and confirmed by the Hong Kong solicitor.

In conclusion, based on the Documents provided by Shanghai Allied Cement, shareholders' information and their shareholding ratios registered in the industrial and commercial documents of Real Jade's Companies in the PRC are shown in the first part of this Opinion. Except for Shandong Wangchao Cement, there is no share-holding entrustment in the other Real Jade's Companies in the PRC according to the documents, replies and confirmation provided by Shanghai Allied Cement. Considering the above-mentioned Trust Agreement signed by Shanghai Allied Cement Holdings Limited and AII-SHANGHAI INC. in respect of the 12.53% equity interest in Shandong Wangchao Cement held on behalf of Shanghai Allied Cement Holdings Limited is governed by the laws of HK, therefore, the legal effect of this Trust Agreement shall be further confirmed by the HK solicitor.

2. Whether the SSPA is governed by the laws of the PRC

Based on the Documents provided by the Client, the Client has signed the SSPA with Xelmont Limited, Minyi Holdings, and Real Jade on 30 June 2022.

(a) According to the terms of the SSPA, We understand that:

i) The contracting parties' information of the SSPA are as follows:

Xelmont Limited (Registration number: 2076658), a BVI corporation established under the laws of the BVI, as the Buyer;

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Mudajaya Group Berhad (Registration number: 196501000519), a public listed company incorporated in Malaysia, as the Buyer's sole shareholder;

Minyi Holdings Limited (Registration number: 2045662), a BVI corporation established under the laws of the BVI, as the Seller; and

Real Jade Limited (Registration number: 2018385), a BVI corporation established under the laws of the BVI, as the Target Company.

ii) The purpose of the SSPA

The Target Company has at the date of the SSPA an authorized share capital of US\$ fifty thousand (US\$ 50,000.00) consisting of 50,000 ordinary shares of US\$ 1.00 each, of which one ordinary share has been issued and is fully paid-up (the "Sale Share"). The Seller is the legal and beneficial owner of the Sale Share and agrees to sell the Sale Share at a total price of HKD 400,000,000 which will be partly satisfied through cash on completion of the SSPA ("Cash Portion") amounting to HKD 201,000,000 with the remaining balance of HKD199,000,000 to remain an indebtedness owing by the Buyer to the Seller on completion of the SSPA ("Balance") and to be satisfied by the Buyer in one lump sum payment together with any unpaid accrued interest on or before the expiration of two years after the completion of the SSPA.

iii) Governing law and jurisdiction

Concerning the governing law and jurisdiction of the SSPA, it is governed by the laws of Malaysia and each contracting party irrevocably submits to the non-exclusive jurisdiction of the Courts of Malaysia.

(b) Therefore, based on the above conventions of the SSPA, We understand that:

- i) None of the contracting party is a corporation established in the PRC under the laws of the PRC.

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- ii) The execution of the SSPA and the performance by the contracting parties thereto of their respective obligations thereunder are not governed by the laws of PRC.

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Annex I

List of Documents Provided by Real Jade's Companies in the PRC

No.	File Name
1.	Register of Shareholders of Shanghai Guokunsheng
2.	Shareholders' Information of Shanghai Guokunsheng
3.	Register of Shareholders of Shanghai Allied Cement
4.	Shareholders' Information of Shanghai Allied Cement
5.	Register of Shareholders of Zaozhuang Laisheng
6.	Document List of Zaozhuang Laisheng
7.	Register of Shareholders of Shanghai Guorui Tongshun
8.	Shareholders' Information of Shanghai Guorui Tongshun
9.	Register of Shareholders of Shandong Shanghai Allied Cement
10.	Document List of Shandong Shanghai Allied Cement
11.	Register of Shareholders of Shandong Wangchao Cement
12.	Document List of Shandong Wangchao Cement
13.	Certificate of Incorporation of AII-SHANGHAI INC.

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

EXPERT REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION OF HKD 400,000,000 (EQUIVALENT TO RM 224,320,000) FOR THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN REAL JADE LIMITED BY XELMONT LIMITED, A WHOLLY-OWNED SUBSIDIARY OF MUDAJAYA GROUP BERHAD VIA CASH CONSIDERATION



Presented by
Asia Equity Research Sdn Bhd,
a company licensed by
Securities Commission
Malaysia to provide advisory
in corporate finance and
investment advice.

Expert report on the fairness of the purchase consideration for the proposed acquisition by Xelmont Limited, a wholly owned subsidiary of Mudajaya Group Berhad, of the equity interest in Real Jade Limited for a purchase consideration of HKD 400 million (i.e., equivalent to RM 224.32 million) to be satisfied entirely by cash

This **Independent Fairness Expert Report ("Expert Report")** is prepared by Asia Equity Research Sdn Bhd ("AER"), a company licensed by Securities Commission Malaysia in providing advisory in Corporate Finance and Investment Advice, for the board of directors of Mudajaya Group Berhad ("**Mudajaya**") for purpose of inclusion in a circular to shareholders. AER is not making any representation or warranty, expressed or implied, as to the contents of this Expert Report. No liability whatsoever is accepted by AER for the accuracy of any information or opinions contained in this Expert Report.

The directors of Mudajaya are responsible to make available to us all relevant financial information pertaining to the preparation of this Expert Report, including informing us of any material changes which may have an impact on our fairness opinion.

We have relied on information furnished to us by Mudajaya, external information which are extracted from S&P Global Market Intelligence, Bloomberg, information published in public domain and our own analysis for us to prepare this Expert Report.

The preparation of the Expert Report is based on prevailing economic, market and other conditions which may change over time. We reserve the exclusive right, should we consider, if necessary, to revise our Expert Report considering any information that existed at the date of the Expert Report but which becomes known to us subsequent to the date of the Expert Report.

29 August 2022

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

**ASIA EQUITY RESEARCH SDN BHD**

Registration No.: 201401027762 (1103848-M)

(License Number: eCMSL/A0330/2015)

Licensed to provide advisory in corporate finance and investment advice

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46-3 Jalan PJU 8/5B.

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48820 Petaling Jaya

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Website: www.aer.finance

29 August 2022

The board of directors

Mudajaya Group Berhad

Corporate Office

PH1, Menara Mudajaya, Level 11,

No. 12A, Jalan PJU 7/3, Mutiara Damansara,

47810 Petaling Jaya,

Selangor, Malaysia

Dear sirs,

Expert report on the fairness of the purchase consideration for the proposed acquisition by Xelmont Limited, a wholly owned subsidiary of Mudajaya Group Berhad, for the entire equity interest in Real Jade Limited for a purchase consideration of HKD 400 million (i.e, equivalent to RM 224.32 million based on exchange rate of 1HKD equals to RM 0.5608 determined on 29 June 2022) via cash consideration

On 30 June 2022, Mudajaya Group Berhad ("**Mudajaya**") had announced that the Xelmont Limited, a wholly owned subsidiary of Mudajaya had entered into a share sale and purchase agreement with the vendor of Real Jade Limited ("**Real Jade**"), i.e., Minyi Holdings Limited, for the proposed acquisition for the entire equity interest in Real Jade for an indicative purchase consideration of HKD 400 million (equivalent to RM 224.32 million) ("**Purchase Consideration**") via cash ("**Proposed Acquisition of Real Jade**").

The Purchase Consideration is subjected to adjustment based on the latest audited net assets of Real Jade during completion of the Proposed Acquisition ("**Completion NA**") compared with the Purchase Consideration ("**Accepted NA**") as detailed in Section 2.2 of the Circular.

A summary of the Proposed Acquisition of Real Jade is as summarized as per table below:-

Name of company to be acquired	Percentage of shares to be acquired by Xelmont Limited	Indicative Purchase Consideration in HKD million	Manner of settlement by Mudajaya to Minyi Holdings Limited
Real Jade	100%	400	Cash

Real Jade is principally involved in the manufacture and sales of cement, clinker and slag, trading of cement in the People's Republic of China ("**PRC**"). Real Jade is also involved in the provision of energy conservation and reuse solutions through the installation of energy efficient and environmentally friendly air-conditioning systems and heating systems for commercial, residential and industrial buildings.

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

Real Jade has six active subsidiaries as listed below:-

	Name of company	Description	Effective interest held by Real Jade in percent (%)
1	Shanghai Allied Cement Co., Ltd (PRC) 上海联合水泥有限公司	Trading of cement and clinker	50%
2	Shandong Allied Wangchao Cement Limited (PRC) 山东联合王晁水泥有限公司	Manufacture and sales of cement and clinker	100%
3	Shandong Shanghai Allied Cement Co., Ltd (PRC) 山东上联水泥发展有限公司	Manufacture and sales of slag No reported revenue for FYE 2019 and FYE 2020	100%
4	Shanghai Guorui Tongshun Environmental Protection Technology Co., Ltd (PRC) 上海国瑞同顺节能环保技术发展有限公司	Energy conservation business whereby the company is involved in provision of energy performance contracting service	70.83%
5	Shanghai Guo Kun Cheng Construction Group Co., Ltd (上海國琨晟建設集團有限責任公司) (PRC)	Provision of energy conservation and reuse solutions	36.12%
6	Zaozhuang Laisheng New Building Materials Co., Ltd	Manufacture and sales of buildings stones	70.0%

Our scope of work

On 11 March 2022, Mudajaya had engaged Asia Equity Research Sdn Bhd (“AER”), to prepare an expert report in accordance with Item (4), Part F of Appendix 10B, of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad for the Board. A copy of the summary of the Expert Report is included in this Circular to shareholders of Mudajaya in relation to the Proposed Acquisition of Real Jade.

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Credentials, experience and expertise of AER

AER is licensed to provide two regulated activities by the Securities Commission of Malaysia, namely advisory in corporate finance and investment advice.

The past credentials and professional experiences where AER had been appointed as an independent valuer include, amongst others, the following transactions:

- (a) acted in preparation of expert reports on ascertaining the fairness of the purchase in relation to the proposed acquisition by LYC Healthcare Berhad of forty nine percent equity interest in T&T Medical Group Pte Ltd and HC Orthopaedic Surgery Pte Ltd where the expert report was issued and dated 1 June 2022.
- (b) acted as an independent valuer in relation to the proposed disposals by a wholly-owned subsidiary of Cahaya Mata Sarawak Berhad of its entire twenty five percent equity interest in OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd where the independent valuation certificate was issued and dated 25 May 2022.
- (c) acted as an independent valuer in relation to the proposed acquisition by Divfex Berhad Berhad of fifty one percent equity interest in Excel Commerce Solutions Sdn Bhd and Finther Technologica Sdn Bhd where the independent valuation certificate were issued and dated 8 March 2022.
- (d) acted as an independent valuer in relation to the proposed acquisition by Sunview Group Berhad of forty nine percent equity interest in Solarcity Reit Sdn Bhd and the entire equity interest in Vafe System Sdn Bhd where the independent valuation certificate were issued and dated 6 January 2022.
- (e) acted as an independent valuer in relation to the proposed acquisition by EVD Berhad of the entire equity interest in EVD Engineering Sdn Bhd and its wholly owned subsidiary, EVD Global Pte Ltd where the independent valuation certificates were issued and dated 17 December 2021.

Sources of information

This Expert Report has been prepared by AER based on information as provided to us by Mudajaya that are as listed below:-

- (i) a copy of the audited financial statements of Real Jade for Financial Years Ended 31 December ("FYE") 2019, 2020 and 2021,
- (ii) further documents that are referred to as stated in this Expert Report,
- (iii) a copy of the audited accounts for Shanghai Allied Cement Co., Ltd, Shandong Allied Wangchao Cement Limited, Shandong Shanghai Allied Cement Co., Ltd and Shanghai Guorui Tongshun Environmental Protection Technology Co., Ltd for FYE 2021, and
- (iv) pictures of the manufacturing plant as furnished to us as presented under Section 2.4 of this Expert Report.

Although the information is obtained from sources considered as reliable by AER, we make no representation as to, and accepts no liability for any representations in relation to, the accuracy or completeness of the information contained in this Expert Report.

Declaration of independence

AER and/or its directors and staff who are involved in this exercise **do not** own any equity ownership in Mudajaya's shares or involve in any advisory matters except being mandated to prepare this Expert Report in relation to the Proposed Acquisition of Real Jade.

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Summary of the entire equity interest in Real Jade

The fair value of the entire equity interest in Real Jade is determined based on the median valuation multiples of the comparable companies that are involved in manufacturing and selling of cement and clinker materials operating in PRC that are listed in stock exchanges of Shenzhen, Shanghai or Hong Kong ("**Comparable Companies**") and applied on the reported audited results of Real Jade Group for FYE 2021.

Three valuation multiples are adopted:-

- **EV/EBITDA** (Enterprise Value to Earnings Before Interest, Tax, Depreciation and Amortisation multiple)
- **P/B** (Price to Book multiple)
- **P/E** (Price to Earnings multiple)

The fair value for the **entire equity interest** in Real Jade is between **HKD 386 million** to **HKD 430 million** with an **average mid-point valuation of HKD 404 million** which is as summarized in the table below:-

	Trailing EV/EBITDA	Trailing P/E	Trailing P/B
Fair value for the entire equity interest in Real Jade in HKD million	396	386	430
Reference of workings for computation	Appendix 1	Appendix 2	Appendix 3
Multiple	EV/EBITDA multiple of 4.4 times	P/E multiple of 6.6 times	P/B multiple of 1.0 time
Illiquidity discount applied	10%	10%	As price to book represents the minimum reference value, no illiquidity discount is applied
Median multiples of Comparable Companies	4.4 times	6.6 times	0.8 times
Average multiples of Comparable Companies	4.4 times	6.7 times	0.9 times

Accordingly, the Purchase Consideration is **fair** as the proposed acquisition price is **within** the fair value range of between **HKD 386 million to HKD 430 million**.

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Readers are advised to read the entire Expert Report and specifically **Section 3** on the fair valuation results and **Section 4** on the risk considerations that could affect the fair value of entire equity interest in Real Jade. Please do not hesitate to contact the undersigned if you have any queries on the above matter.

Yours faithfully
ASIA EQUITY RESEARCH SDN BHD



ONG TEE CHIN, CFA, FRM, CAIA
DIRECTOR

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this report:

"AER"	Asia Equity Research Sdn Bhd
"Bursa Securities"	Bursa Malaysia Securities Berhad
"BVI"	British Virgin Islands
"Comparable Companies" or "Comparable Company"	Selected companies listed on Shenzhen, Shanghai or Hong Kong Stock Exchange that manufactures and sells cement and clinker, operating in PRC and serving the markets within PRC
"EBITDA"	Earnings before interest, tax, depreciation and amoritsation
"EV"	Enterprise value
"EV/EBITDA"	EV to EBITDA multiple
"Expert Report"	An expert report prepared in accordance with Item (4), Part F of Appendix 10B, Main Market Listing Requirements of Bursa Securities in relation to the proposed acquisition of the entire equity interest in Real Jade
"FYE"	Financial year ended 31 December
"HKD"	Hong Kong Dollar
"LAT"	Loss after tax
"MHL"	Minyi Holdings Limited
"Mudajaya"	Mudajaya Group Berhad
"PAT"	Profit after tax
"P/B"	Price to book multiple
"P/E"	Price to earnings multiple
"PRC"	Peoples Republic of China
"RMB"	Renmimbi
"Proposed Acquisition of Real Jade"	The proposed acquisition by Xelmont Limited, a wholly-owned subsidiary of Mudajaya of the entire equity interest in Real Jade for a cash consideration of HKD 400 million from MHL
"Real Jade"	Real Jade Limited
"RVA"	Relative Valuation Approach

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1. EXECUTIVE SUMMARY

Item number	Explanation on key message	Section reference
1	<p>Purpose and scope of work</p> <p>We were engaged by Mudajaya to prepare an expert report in accordance with Item (4), Part F of Appendix 10B, of the Main Market Listing Requirements of Bursa Securities for the Board. A copy of the Expert Report is included in this Circular to shareholders of Mudajaya in relation to the Proposed Acquisition of Real Jade.</p> <p>The objective of the preparation of this Expert Report is for us to express an opinion on the fairness of the purchase consideration of HKD 400 million for the entire equity interest in Real Jade.</p>	Section 2.1
2	<p>Results of valuation – Real Jade</p> <p>AER has adopted the RVA approach to ascribe the fair value of the entire equity interest in Real Jade.</p> <p>Based on our evaluation, the fair value for the entire equity interest in Real Jade, is between HKD 386 million to HKD 430 million.</p> <p>Accordingly, the Purchase Consideration is fair as the proposed acquisition price is within the fair value range of between HKD 386 million to HKD 430 million.</p> <p>Approach 1</p> <p>Applying the EV/EBITDA approach as the primary approach and a median / average EV/EBITDA of 4.4 times on the annual reported EBITDA of HKD 148.3 million of Real Jade for FYE 2021 and applying an illiquidity discount of 10%, shall translate to a fair value of HKD 396 million for the entire equity interest in Real Jade.</p> <p>Approach 2</p> <p>Applying the P/E approach as the secondary approach and a median P/E of 6.6 times on the annual reported adjusted profit after tax attributable to ordinary shareholders of HKD 65.0 million of Real Jade for FYE 2021 and applying an illiquidity discount of 10%, shall translate to a fair value of HKD 386 million for the entire equity interest in Real Jade.</p> <p>Approach 3</p> <p>Applying the P/B approach as the third approach and a one-time P/B which is equivalent to the audited net assets of Real Jade attributable to ordinary shareholders for FYE 2021, shall translate to a fair value of HKD 430 million for the entire equity interest in Real Jade.</p> <p>The average of the three approaches is HKD 404 million, referred to as the mid-point fair value for the entire equity interest in Real Jade.</p>	Section 3, Section 4, Appendix 1, Appendix 2, Appendix 3.
3	<p>Explanation of the approach and justification / rationales of using RVA approaches</p> <p>RVA approach is suitable approach to be applied as there are adequate number of Comparable Companies that are listed in PRC (Shenzhen</p>	Section 2.5

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	<p>stock exchange and Shanghai stock exchange) and Hong Kong stock exchange, with its principal cement and / or clinker operations in PRC serving the domestic markets in PRC.</p> <p>We also noted that the median and average of the Comparable Companies are close which indicates that the risk of outliers are minimised.</p> <p>We have adopted the three commonly used RVA approaches, namely the EV/EBITDA, P/E and P/B approach that measures the earning capability and net assets of a company subjected to fair valuation appraisal.</p> <p>Real Jade has a reasonable historical information of operations and hence the income based multiple and cash flow based multiple such as P/E and EV/EBITDA respectively are suitable and appropriate to be used as a basis of valuation. Similarly, as Real Jade's business is capital intensive in nature, the P/B is also a suitable and appropriate multiple to be used as a basis of valuation.</p> <p>We were not furnished any projected cash flow of the business and hence the use of any projected cash flow is not selected.</p>	
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2. BACKGROUND
2.1 INTRODUCTION AND TERMS OF REFERENCE

On 11 March 2022, Mudajaya had engaged AER, to prepare an expert report in accordance with Item (4), Part F of Appendix 10B, of the Main Market Listing Requirements of Bursa Securities for the Board. A copy of the Expert Report is included in this Circular to shareholders of Mudajaya in relation to the Proposed Acquisition of Real Jade.

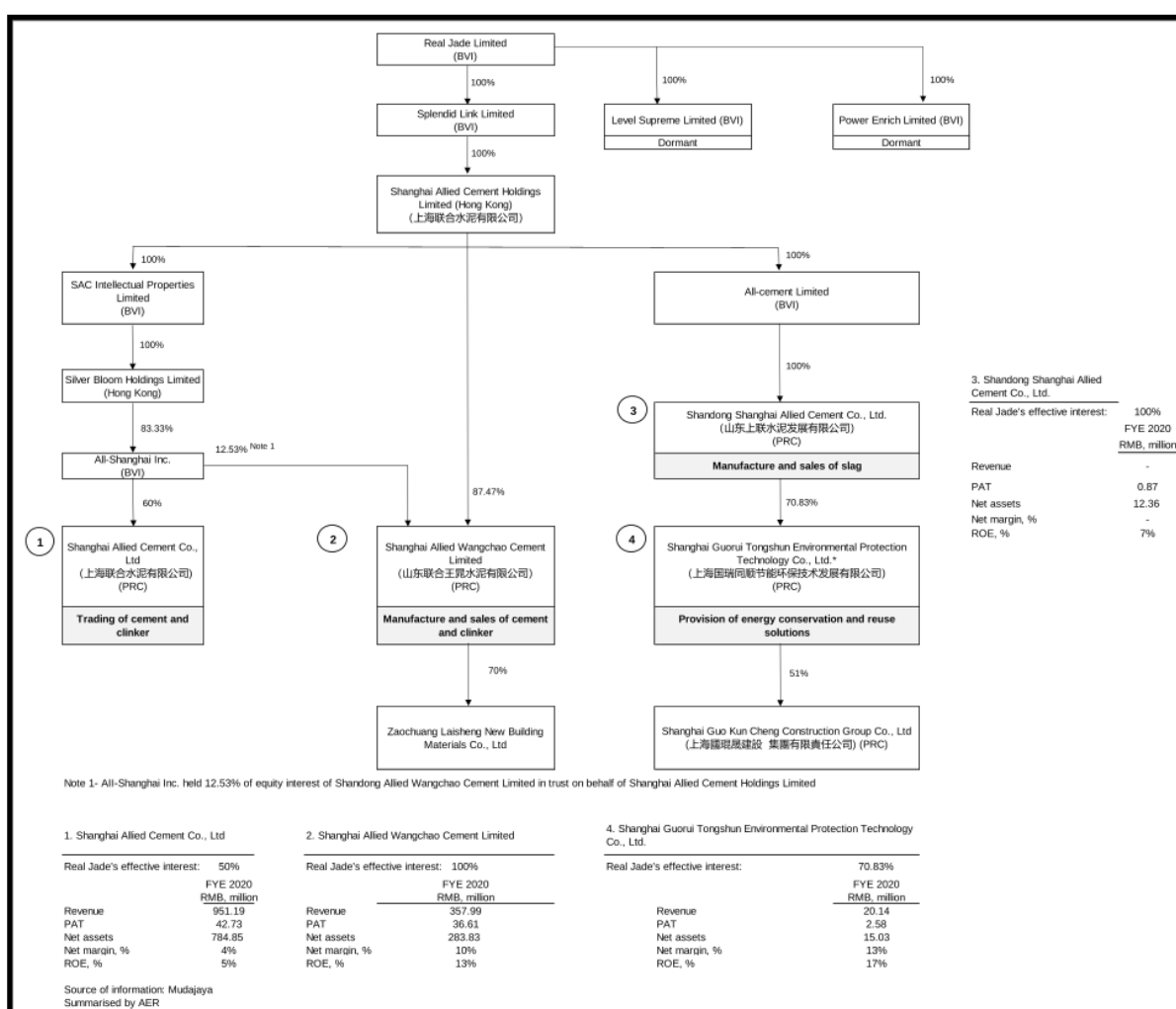
2.2 BACKGROUND INFORMATION OF REAL JADE ON DATE OF REPORT

Item number	Description	Details
1	Company	Real Jade Limited
2	Principal activity	Real Jade is principally involved in the manufacture and sales of cement, clinker and slag, trading of cement and provision of technical services with operations in Shandong province and Shanghai in the PRC
3	Cement and clinker manufacturing facility	As at LPD, Real Jade Group owns and operates a production plant which is in Dunzhuangcun, Jiantouji Town, Taierzhuang District, Zaozhuang, 277405, Shandong, PRC, with a total land area of approximately 1.4 million square feet for their manufacturing of cement and clinker. The production plant has a maximum annual capacity of 1 million tonnes per annum
4	Shareholders	Minyi Holdings Limited
5	Subsidiaries and associates	See Section 2.3 below

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6	Latest audited financial year ended	FYE 2021
7	Basis of accounting standard applied in the preparation of the consolidated financial statements of Real Jade	International Financial Reporting Standards ("IFRS")
8	Name of auditor	Deloitte Touche Tomatsu, Hong Kong

2.3 CORPORATE CHART OF REAL JADE AS AT DATE OF REPORT



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Real Jade has six active subsidiaries as listed below:-.

	Name of company	Description	Effective interest held by Real Jade in percent (%)
1	Shanghai Allied Cement Co., Ltd (PRC) 上海联合水泥有限公司	Trading of cement and clinker	50%
2	Shandong Allied Wangchao Cement Limited (PRC) 山东联合王晁水泥有限公司	Manufacture and sales of cement and clinker	100%
3	Shandong Shanghai Allied Cement Co., Ltd (PRC) 山东上联水泥发展有限公司	Manufacture and sales of slag No reported revenue for FYE 2019 and FYE 2020	100%
4	Shanghai Guorui Tongshun Environmental Protection Technology Co., Ltd (PRC) 上海国瑞同顺节能环保技术发展有限公司	Energy conservation business whereby the company is involved in provision of energy performance contracting service	70.83%
5	Shanghai Guo Kun Cheng Construction Group Co., Ltd (上海國琨晟建設集團有限責任公司) (PRC)	Provision of energy conservation and reuse solutions	36.12%
6	Zaozhuang Laisheng New Building Materials Co., Ltd	Manufacture and sales of buildings stones	70.0%

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2.4 SOME PICTURES OF THE CEMENT AND CLINKER MANUFACTURING PLANT

As at LPD, Real Jade Group owns and operates a production plant which is in Dunzhuangcun, Jiantouji Town, Taierzhuang District, Zaozhuang, 277405, Shandong, PRC, with a total land area of approximately 1.4 million square feet for their manufacturing of cement and clinker. The production plant has a maximum annual capacity of 1 million tonnes per annum.

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2.5 APPROACHES USED TO DETERMINE THE FAIR VALUE OF REAL JADE

Item number	Approach	Guidance of its applicability
1	Asset based approach which measures the net fair values of assets less the liabilities. This approach is selected and based on the audited net assets of Real Jade attributable to the owners of Real Jade as at 31 December 2021 was HKD 430 million .	This approach is suitable for a company that is having assets which are tangible based in nature such as manufacturing companies and property development companies.
2	Income based approach which determines the value of a company based on a projected future cash flow of a business. As we were not furnished any projected cash flow statements of Real Jade, this approach is not selected .	This approach requires a set of projected cash flow statement of the Real Jade Group, which could be estimated with reasonable certainty with basis and assumptions.
3	Relative valuation approach is an approach that compares a company's value to that of its listed competitors or industry peers based on trading multiples such as EV/EBITDA, P/E and P/B. This approach was selected .	RVA approach is suitable approach to be applied as there are adequate number of Comparable Companies that are listed in PRC and Hong Kong with its principal cement and or clinker operations in PRC and serving the markets in PRC. We also noted that the median and average of the Comparable Companies are close which indicates that the risk of outliers are minimised.

2.6 Comparable Companies

Criteria used to select Comparable Company:-

- (i) As the principal activity of Real Jade is involved in the manufacturing, sales and trading of cement in PRC, the criteria selection for Comparable Company is that such companies are listed and manufacturing and selling of cement and clinker materials operating in PRC.
- (ii) The Comparable Company must be listed as the market based approach uses the ratio of the market price as a numerator and other financial parameters as denominator.
- (iii) Generally, the cement and clinker produced for each company are for domestic consumption in the provinces whereby the manufacturing plants are situated. The selection of Comparable Company are restricted in PRC is to mitigate any potential differences in external business environment.

It is noted that companies in cement and clinker production in PRC based on our research are listed on Shenzhen, Shanghai or Hong Kong Stock Exchange.

We noted that the annual production capacity of cement ranges from 14 million to 176 million metric tons of cement a year, with a median of 26 million metric tons a year for the Comparable Companies, as compared to Real Jade which is estimated at 1 million metric ton a year. Though, the size of the Real Jade is significantly smaller compared to the Comparable Companies, the median and average P/E, P/B and EV/EBITDA multiples of the Comparable Companies approximates to one another which indicates that distribution of data is symmetric and not skewed which concludes that the multiples are appropriate to be used.

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The company's description, financial and valuation metrics of each Comparable Company are as tabulated in **Appendix 4a and Appendix 4b** of this Report.

3. FAIR EQUITY VALUE FOR ENTIRE INTEREST IN REAL JADE

The fair value for the **entire equity interest** in Real Jade is between **HKD 386 million** to **HKD 430 million** appraised using RVA approach.

Accordingly, the Purchase Consideration is **fair** as the proposed acquisition price is **within** the fair value range of between HKD 386 million to HKD 430 million.

Approach 1 – EV/EBITDA

Applying the EV/EBITDA approach as the primary approach and a median / average EV/EBITDA of 4.4 times on the annual reported EBITDA of HKD 148.3 million of Real Jade for FYE 2021 and applying an illiquidity discount of 10%, shall translate to a fair value of **HKD 396 million** for the entire equity interest in Real Jade.

Approach 2 – P/E

Applying the P/E approach as the secondary approach and a median P/E of 6.6 times on the annual reported adjusted profit after tax attributable to ordinary shareholders of HKD 65.0 million of Real Jade for FYE 2021 and applying an illiquidity discount of 10%, shall translate to a fair value of **HKD 386 million** for the entire equity interest in Real Jade.

Approach 3 – P/B

Applying the P/B approach as the third approach and a one-time P/B which is equivalent to the audited net assets of Real Jade attributable to ordinary shareholders for FYE 2021, shall translate to a fair value of **HKD 430 million** for the entire equity interest in Real Jade.

The **average** of the three approaches is **HKD 404 million**, referred to as the mid-point fair value for the entire equity interest in Real Jade.

	Trailing EV/EBITDA	Trailing P/E	Trailing P/B
Fair value for the entire equity interest in Real Jade in HKD million	396	386	430
Reference of workings for computation	Appendix 1	Appendix 2	Appendix 3
Multiple	EV/EBITDA multiple of 4.4 times	P/E multiple of 6.6 times	P/B multiple of 1.0 time
Illiquidity discount applied	10%	10%	As price to book represents the minimum reference value, no illiquidity discount is applied
Median multiples of Comparable Companies	4.4 times	6.6 times	0.8 times
Average multiples of Comparable Companies	4.4 times	6.7 times	0.9 times

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4. RISK CONSIDERATION IN FAIR VALUATION ASCRIBED

The fair valuation ascribed for Real Jade, could be affected by several major risk factors including as follows under the following broad categories amongst others: -

(i) PRC's specific country risk and demand of cement in PRC

The cement business of Real Jade are conducted in the PRC in Shanghai and Shandong province. This is the general business model of the cement and clinker plant in PRC of which it is serving the state where the cement and clinker is situated. Hence the economic conditions in the PRC have a significant impact on the operating results and financial conditions for the cement business.

The annual revenue of Real Jade is depended on the average selling price and production volume. The production volume is limited by the annual capacity of the cement plant which is approximately 1 million tonnes. The average selling prices of the cement in PRC is dependent upon the demand and supply of the PRC's cement market. Factors that contribute positively to increase in demand shall represent a premium to the fair value appraised by us. Conversely, factors contributing to lower demand such as a slowdown in construction activities such as due to a slow down / recession, shall represent a discount to a fair value as appraised by us.

(ii) Collection risk of trade receivables

Real Jade is exposed to collection risk of trade receivables from the sale of cement either manufactured by Real Jade Group or trade receivables arising from trading activities. Any impairment of its trade receivables shall represent a discount to the fair value as appraised by us.

(iii) Compliance cost with regulatory environment requirements

Any changes in environmental protection issues leading to increasing compliance cost of operating in the cement industry in the PRC may result in cement manufactures having to bear additional expenses on environmental issues such as converting manufacturing process to lower carbon environment. The additional short term capital expenditure may translate to a discount to a fair value as appraised by us though the additional enhancements in newer capital expenditure have a long term benefit such as in addition to compliance with newer environmental requirements, the enhancements shall also prolong the useful life and efficiency of a plant.

(iv) Development of Bailonggang, Pudong Shanghai of a proposed cement plant with annual capacity of 2.7 million tonnes and annual treatment capacity of 2.28 million tons of various waste ("**Bailonggang Project**")

The Bailonggang Project is a proposed joint venture initiated in 2008. Pursuant to the terms and conditions therein on 13 February 2012 of a Cooperation Agreement between a state owned enterprise Shanghai Building Material (Group) General Company ("**Shanghai Building Material**") and Shanghai Allied Cement Co., Ltd, both parties agreed to establish a JV Company to operate and manage the Bailonggang Project under a joint venture represents the 50% share contribution of each party, with a capital commitment of each party of approximately RMB 400 million (equivalent to approximately HKD 476 million).

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It is noted that as at 31 December 2021, Real Jade had incurred a deposit of HKDD 28.89 million for purchase of equipment related to the Bailonggang Project and if the Bailonggang Project is not proceeded any associated net loss in cash flow resulting from the disposal of the equipment purchased and other termination cost if any, shall translate to a discount to a fair value as appraised by us.

- (v) Any potential impairment of any of the assets of the Real Jade Group as a result of obsolescence, reduction in the value in use due to decrease in production output and diminution in fair value on its investments shall translate to a discount to a fair value as appraised by us.
- (vi) Any unforeseen cost overrun that resulted in the incurred actual operational cost exceeding its projected cost shall represent a discount to the fair value ascribed by us.
- (vii) Global and regional economic activity which is dependent on several factors such as political and macro-economic factors beyond the control of Real Jade, subjected to fair valuation exercise. Significant global events that affect the regional and global growth may translate to lesser business volumes and accordingly shall negatively affect the fair valuation. During such period, valuation metrics may also change as investors tend to become risk adverse in most asset classes of investments and hence requiring higher required rate of return in appraising its valuation during periods of uncertainties which translate to a lower fair value range.
- (viii) Changes in investor's risk appetite in the equity capital markets may contribute either positively or negatively to the fair valuation ascribed for Real Jade, which is subjected to fair valuation exercise. In circumstances that lead to risk aversion shall result in lesser weightings allocated to equity capital markets and hence causing the equity price to be lower than the fair value as ascribed. Conversely, in circumstances that lead to increasing risk appetite shall result in increased weights allocated to equity capital markets and hence causing the equity price to be higher than its fair value as ascribed.

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APPENDIX 1 – Appraised value of HKD 396 million based on EV/EBITDA approach for the entire equity interest in Real Jade.

Approach 1 EV/EBITDA - Real Jade Limited for FYE 31 December 2021		HKD million	HKD million	HKD million	
	(Loss) for year attributable to owners of company	(48.1)			
	Non-recurring and non cash flow adjustments				
Note 1	Other income and gains	100%	(237.5)		
	Fair value gain on financial assets designated through profit and loss		(1.0)		
	Impairment loss on loans receivables		1.4		
	Reversal of impairment loss on trade and bills receivables and other receivables		(0.2)		
	Impairment loss on goodwill		0.1		
	Net loss on disposal and write-off of property, plant and equipment		2.7		
Note 2	Amount written off for amount due from immediate holding company	100%	347.6		
	Adjusted earnings		65.0		
	Add				
	Taxation		40.6		
	Finance		23.3		
	Depreciation		19.4		
	EBITDA		148.3		
	EV/EBITDA multiple - average		4.4	=	652 EV
	Cash				
	Time deposits			12.2	
	Pledged bank deposits			39.1	
	Restricted bank deposits			8.8	
	Bank and cash balance			116.9	177 + Cash
	Borrowings				
	Unsecured other borrowings due within one year			80	
	Unsecured other borrowings due after one year			130	
	Amount due to related parties			30	
	Amount owing to immediate holding company, i.e. Minyi			150	
				(390)	
				439.7	= Equity value
	Illiquidity discount	10%		(44.0)	
	Fair value			395.8	
	Round up, say =			396	

Appraised by AER

Notes

Note 1 - Other income and gains

	HKD' million
Income from the waiver of default interest on other borrowings	202.168
Interest income from banks	2.596
Interest income from loans receivable	3,217
Subsidy income	15.871
Sundry income	11.707
Net foreign exchange gain	1.979
Total	237.538

Note 2 – During the FYE 2021, Minyi has resolved a shareholder's resolution to request the Company for unconditionally and irrevocably waiving a debt amounting to HK\$347,649,000 owed by Minyi to the Company without any other forms of compensation.

Note 3 –The market based approach involves listed companies that has an exchange platform to trade as compared to Real Jade which is an unlisted company. An unlisted company shall have issues on illiquidity and a discount range of 20% - 30% is normally applied. However, the use of market based approach do not incorporate a controlling premium as the prices of listed companies represents the market trading prices for normal investors and hence do not incorporate a controlling premium. Hence,

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we have applied a lower discount of illiquidity as 10% to accommodate for a premium which needed to be accounted for a appraising a controlling block using the market based approach.

APPENDIX 2 – Appraised value of HKD 386 million based on P/E approach for the entire equity interest in Real Jade

Approach 2 P/E - Real Jade Limited for FYE 31 December 2021		HKD million	
(Loss) for year attributable to owners of company		(48.1)	
Non-recurring and non cash flow adjustments			
Other income from settlement of overdue interest		(237.5)	
Fair value gain on financial assets designated through profit and loss		(1.0)	
Impairment loss on loans receivables		1.4	
Reversal of impairment loss on trade and bills receivables and other receivables		(0.2)	
Amount written off for amount due from immediate holding company		347.6	
Impairment loss on goodwill		0.1	
Net loss on disposal and write-off of property, plant and equipment		2.7	
Adjusted earnings		65.0	E
Median P/E multiple		6.6	P/E multiple
Fair value		429	= Fair value
Illiquidity discount	10%	(43)	
		386	

Appraised by AER

Note –The market based approach involves listed companies that has an exchange platform to trade as compared to Real Jade which is an unlisted company. An unlisted company shall have issues on illiquidity and a discount range of 20% - 30% is normally applied. However, the use of market based approach do not incorporate a controlling premium as the prices of listed companies represents the market trading prices for normal investors and hence do not incorporate a controlling premium. Hence, we have applied a lower discount of illiquidity as 10% to accommodate for a premium which needed to be accounted for a appraising a controlling block using the market based approach.

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APPENDIX 3 – Appraised value of HKD 430 million based on P/B approach for the entire equity interest in Real JadeCurrency: **HKD million**

Consolidated financial position of Real Jade as at 31 December 2021

	As at 31 December 2021
Equities and long term liabilities	
Share capital	-
Reserves	430
Equity attributable to owners of the Company	430
Non-controlling interests	452
	882

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EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

APPENDIX 4a – Financial and valuation metrics of Comparable Companies

Item number	Comparable Companies	Share price on 29 June 2022, HKD	Market capitalisation as on 29 June 2022, HKD million	Financial year end	Revenue, HKD million	PAT/(LAT), HKD million	Net assets, HKD million	Net margin, %	ROE, %	P/E trailing	P/B trailing	EV/EBITDA trailing	Annual output, million metric ton
1	Gansu Shangfeng Cement Co., Ltd.	17.74	17,054	31 December 2021	10,206	2,671.3	10,175	26.2%	26.3%	6.4	1.7	4.1	14
2	Guangdong Tapai Group Co., Ltd.	22.13	45,900	31 December 2021	9,468	2,254.1	14,386	23.8%	15.7%	5.3	0.8	2.4	22
3	West China Cement Limited	0.98	5,330	31 December 2021	9,823	1,945.7	13,887	19.8%	14.0%	2.7	0.4	4.2	29
4	Ningxia Building Materials Group Co., Ltd.	14.16	6,770	31 December 2021	7,098	983.5	8,297	13.9%	11.9%	6.9	0.8	3.4	16
5	Gansu Qilianshan Cement Group Co., Ltd.	14.42	11,190	31 December 2021	9,418	1,163.1	10,115	12.3%	11.5%	9.6	1.1	5.3	30
6	China National Building Material Company Limited	8.32	70,177	31 December 2021	335,943	20,883.3	145,681	6.2%	14.3%	3.4	0.5	4.6	173
7	China Tianrui Group Cement Company Limited	22.13	45,900	31 December 2021	15,610	1,473.7	19,497	9.4%	7.6%	11.1	0.8	7.0	35
8	Tangshan Jidong Cement Co., Ltd.	22.13	45,900	31 December 2021	44,604	3,449.5	39,045	7.7%	8.8%	9.5	0.8	5.1	90
9	Jiangxi Wannianqing Cement Co., Ltd.	12.59	10,038	31 December 2021	17,436	1,955.7	9,115	11.2%	21.5%	5.1	1.1	3.0	17
10	Huaxin Cement Co., Ltd.	22.13	45,900	31 December 2021	39,849	6,583.7	32,811	16.5%	20.1%	7.0	1.4	4.6	20
	Average							14.7%	15.2%	6.7	0.9	4.4	45
	Median							13.1%	14.2%	6.6	0.8	4.4	26
	Minimum							6.2%	7.6%	2.7	0.4	2.4	14
	Maximum							26%	26%	11.1	1.7	7.0	173
Source: S&P Global Pro		By AER											

Note – the share price and the market capitalisation of each of the Comparable Companies measured on 29 June 2022, being the last trading day prior to the execution of the SSPA.

Key message by AER: -

- The range of EV/EBITDA is between 2.4 times to 7.0 times, with an average and median of 4.4 times and 4.4 times, respectively.
- The range of P/E is between 2.7 times to 11.1 times, with an average and median of 6.7 times and 6.6 times, respectively.
- The range of P/B is between 0.4 times to 1.7 times, with an average and median of 0.9 times and 0.8 times, respectively.

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EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

APPENDIX 4b – Comparable Companies

Comparable Companies	Latest available audited financial year ending / Stock exchange listing	Description
Gansu Shangfeng Cement Co.,Ltd 甘肃上峰水泥股份有限公司	31 December 2021 Listed on main board of Shenzhen Stock Exchange	Gansu Shangfeng Cement Co.,Ltd manufactures and sells cement and building materials in PRC. The company offers ordinary Portland, road, and oil well cement under the Shangfeng brand name, cement clinkers, slag powder, aggregates and concrete series products. It is also involved in logistics, solid waste disposal and processing, and real estate development businesses. The company was formerly known as Baiyin Copper Commercial Building (Group) Co., Ltd. and changed its name to Gansu Shangfeng Cement Co.,Ltd in April 2013. Gansu Shangfeng Cement Co.,Ltd was founded in 1978 and is based in Hangzhou, PRC.
Guangdong Tapai Group Co., Ltd. 广东塔牌集团股份有限公司	31 December 2021 Listed on main board of Shenzhen Stock Exchange	Guangdong Tapai Group Co., Ltd. engages in the production and sale of Portland cement and ready-mixed concrete products in PRC. Its products are used in the highways, hydropower projects, railways, ports, airports, and other infrastructure constructions, as well as real estate and civil engineering constructions. Guangdong Tapai Group Co., Ltd. was founded in 1995 and is headquartered in Meizhou, PRC.
West China Cement Limited 中國西部水泥有限公司	31 December 2021 Listed on main board of Hong Kong Stock Exchange	West China Cement Limited, an investment holding company, manufactures and sells cement and cement products in the People's Republic of China. It sells its products under the Yao Bai and Yaobaishuini names. The company's cement products are used in the construction of infrastructure projects, such as highways, railways, bridges, hydroelectric power stations, and water conservancy and water transfer projects, as well as housing and social infrastructure project.
Ningxia Building Materials Group Co.,Ltd 宁夏建材集团股份有限公司	31 December 2021 Listed on main board of Shanghai Stock Exchange	Ningxia Building Materials Group Co.,Ltd manufactures and sells cement, cement clinkers, commercial concrete, and related cement products in PRC.

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

Gansu Qilianshan Cement Group Co., Ltd. 甘肃祁连山水泥集团股份有限公司	31 December 2021 Listed on main board of Shanghai Stock Exchange	Gansu Qilianshan Cement Group Co., Ltd. engages in the research, development, manufacture, and sale of cement and commercial concrete in PRC. The company offers commercial concrete and aggregates under the Qilianshan brand. Gansu Qilianshan Cement Group Co., Ltd. was founded in 1996 and is based in Lanzhou, PRC.
China National Building Material Company Limited 中國建材股份有限公司	31 December 2021 Listed on main board of Hong Kong Stock Exchange	China National Building Material Company Limited, an investment holding company, engages in building material, new materials, and engineering technical services businesses. The company operates in five segments: Cement, Concrete, New materials, Engineering services, and Others. It produces and sells cement, concrete, and glass fiber, as well as composite and lightweight building materials.
China Tianrui Group Cement Company Limited 天瑞水泥集团有限公司	31 December 2021 Listed on main board of Hong Kong Stock Exchange	China Tianrui Group Cement Company Limited, an investment holding company, produces, distributes, and sells clinker, cement, and limestone aggregates in the People's Republic of China.
Tangshan Jidong Cement Co., Ltd. 唐山冀东水泥股份有限公司	31 December 2021 Listed on main board of Shenzhen Stock Exchange	Tangshan Jidong Cement Co., Ltd. produces and sells cement, ready-mixed concrete, and clinker in PRC. It also offers mineral powder, fly ash, etc., as well as involved in the mining and sales of limestone ore, gravel processing and sales, domestic waste disposal. The company was founded in 1994 and is based in Beijing, PRC.
Jiangxi Wannianqing Cement Co., Ltd. 江西万年青水泥股份有限公司	31 December 2021 Listed on main board of Shenzhen Stock Exchange	Jiangxi Wannianqing Cement Co., Ltd. produces and sells cement in PRC. Its products include ordinary Portland cement and composite Portland cement, commercial clinker, commercial concrete and new wall materials. The company's products are used in infrastructure construction, such as water conservancy, highways, railways, airports, bridges, and tunnels, as well as various construction projects, such as real estate and civil housing.
Huaxin Cement Co., Ltd. 华新水泥股份有限公司	31 December 2021 Listed on main board of Shanghai Stock Exchange	Huaxin Cement Co., Ltd., together with its subsidiaries, manufactures and sells cement in PRC and internationally. It also provides RMX products and aggregates, as well as cement technical services. In addition, the company is involved in the research, manufacture, installation, and maintenance of cement equipment, and cement import and export trade activities. Further, it engages in the cement kiln co-processing of waste materials.

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION**APPENDIX 5 – Summarised consolidated income statement for Real Jade for FYE 2019, FYE 2020 and FYE 2021**

Summarised consolidated results of Real Jade Limited

Currency: **HKD million**

Financial year ending 31 December

	Notes	FYE 2019	FYE 2020	FYE 2021
Revenue		561.2	498.1	615.5
Cost of sales		(310.7)	(309.6)	(394.6)
Gross profit		250.5	188.6	220.8
Other income	1	22.7	276.2	237.5
Fair value gain on financial asset designated at fair value through profit and loss		3.8	4.3	1.0
Impairment loss on loans and receivable		(35.9)	-	(1.4)
Impairment loss on property, plant and equipment		(7.7)	(71.8)	-
Reversal of impairment loss (impairment loss) on trade and bills receivables and other receivables		(25.9)	8.8	0.2
Amount written off of an amount due from immediate holding company, i.e. MHL	2	-	-	(347.6)
Distribution and selling expense		(4.6)	(3.7)	(4.2)
Administration expenses		(54.5)	(76.9)	(62.3)
Finance costs	3	(106.8)	(121.3)	(23.3)
Profit before taxation		41.6	204.2	20.7
Taxation		(41.5)	(40.0)	(40.6)
Profit / (loss) after taxation		0.1	164.2	(19.9)
Profit /(loss) for the attributable to:-				
Owners of the Company		(18.6)	134.0	(48.1)
Non-controlling interests		18.7	30.2	28.2
Profit / (loss) after taxation		0.1	164.2	(19.9)

Note 1

Included in the other income for FYE 2021 is Income from the waiver of default interest on other borrowings HKD 202,168,000 incurred in FYE 2019 and FYE 2020.

Included in the other income for FYE 2020 was a recognition of a total amount of HK\$247,972,000 for the finance cost incurred for the prior and current years by Fortunate Gold.

Note 2

During the FYE 2021, Minyi has resolved a shareholder's resolution to request the Company for unconditionally and irrevocably waiving a debt amounting to HK\$347,649,000 owed by Minyi to the Company without any other forms of compensation.

Note 3

Included in the finance cost for FYE 2019 and FYE 2020 were interest cost on other borrowings amounting to HKD 106,400,000 and HKD 119,566,000 respectively.

Source: Extracted from audited financial statements of Real Jade Group for FYE 2019, 2020 and 2021.

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EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

		HKD million FYE 2019	HKD million FYE 2020	HKD million FYE 2021
Computation of adjusted EBITDA attributable to ordinary shareholders				
Profit / (loss) attributable to owners of the Company	1	(18.6)	134.0	(48.1)
Add-:				
Taxation	2	41.5	40.0	40.6
Finance cost	3	106.8	121.3	23.3
Adjustments on non cash flow items - From Income Statement				
Other income	4	(22.7)	(276.2)	(237.5)
Fair value gain on financial asset designated at fair value through profit and loss	5	(3.8)	(4.3)	(1.0)
Impairment loss on loans and receivable	6	35.9	-	1.4
Impairment loss on property, plant and equipment	7	7.7	71.8	-
Reversal of impairment loss (impairment loss) on trade and bills receivables and other receivables	8	25.9	(8.8)	(0.2)
Amount written off of an amount due from immediate holding company, i.e. MHL	9	-	-	347.6
Depreciation	10	20.7	20.5	19.4
Adjustment on non cash flow items - From Cash Flow Statement				
Impairment loss on goodwill	11	-	-	0.1
Net loss on disposal and write-off of property, plant and equipment	12	1.2	4.8	2.7
Adjusted EBITDA attributable to ordinary shareholders	13 = Σ 1 to 12	194.7	103.2	148.3
		-	-	-
Adjusted profit / (loss) attributable to ordinary shareholders excluding adjustments in income statement	14 = $1 + \Sigma$ 4 to 9 + Σ 11 to 12	25.7	(78.7)	65.0

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

APPENDIX 6 – Statement of financial position for Real Jade as at 31 December 2021

Currency: HKD million

Consolidated financial position of Real Jade as at 31 December 2021

	Notes	As at 31 December 2021	Summarised notes as extracted from the audited accounts for FYE 2021
Non-current assets			
Property, plant and equipment	1	306	
Right-of-use assets		8	Comprises of land use rights granted by PRC in certain land areas in Shandong and lease contracts for various offices with a fixed term of two to three years
Deposits for equipment and machineries		29	This represents the first payments for the purchase of certain equipment and machineries in relation to the development of cement production facility at Bailonggang, Pudong, Shanghai ("Bailonggang Project")
Mining right		8	
		352	
Current assets			
Properties held for sale		2	
Inventories		23	Inventories in the form of raw materials, work in progress and finished goods. The inventory holding represents an inventory holding of approximately 21 days
Trade and bills receivables		265	Real Jade's trade receivable and bills receivables as at 31 December 2021 amounted to HKD 51.3 million and HKD 213.4 million respectively.
Other receivables, deposits and prepayments		716	Other receivables represents receivables from which the Real Jade Group act as an agent of suppliers and sells the goods with a mark-up. The Group does not hold any collateral for the outstanding balance
Loan receivable		241	Loan receivables represents pledged-style bond transactions that are classified as financial asset. The Group does not hold any collateral over the balance
Pledge bank deposits		39	Bank deposits that are pledged as security for the Group's short-term bank facilities in respect of issuance of bills payable to suppliers
Time deposits		12	
Restricted bank deposits		9	Total aggregate of time deposits, restricted bank deposits and bank and cash balance (unrestricted bank deposits) are HKD 138 million. The deposits are denominated in Renminbi and Hong Kong Dollar of RMB 124 million and HKD 14 million respectively.
Bank and cash balances		117	
		1,424	
Current liabilities			
Trade and bills payables		160	
Other payables and deposits received		204	Included in the other payable is an amount of approximately HKD 160 million representing the payable to suppliers by the Group acting as agent to sell supplier's goods to supplier's customers.
Contract liabilities		10	
Amount due to immediate holding company, i.e. Miriyi		150	
Amount due to related parties		30	The amount owing to related parties are unsecured, interest free and repayable on demand. The related parties represents the non-controlling shareholders of the Group's subsidiaries
Unsecured other borrowings due within one year		80	The effective interest rate of other borrowings is 6% per annum (FYE 2020: 30% per annum)
Tax liabilities		104	
Lease liabilities due within one year		1	
		739	
Total assets less current liabilities		1,037	
Equities and long term liabilities			
Share capital		-	
Reserves		430	
Equity attributable to owners of the Company		430	
Non-controlling interests		452	
		882	
Deferred taxation		24	Deferred tax liabilities recognised by the Group in respect of temporary differences attributable to accelerated tax depreciation, allowance for doubtful debts, withholding tax on undistributed earnings and others.
Unsecured other borrowings due more than one year		130	The effective interest rate of other borrowings is 6% per annum (FYE 2020: 30% per annum)
Lease liabilities due after one year		1	
Equities and long term liabilities		1,037	

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION

Note 1 - Breakdown of property, plant and equipment

	HKD' million	%	
Buildings and structures	221	72%	A sum of HKD 47.9 million is pledged to secure for short term bank facility
Leasehold improvements	2	1%	
Plant and machinery	69	23%	
Furniture, fixtures and equipment	5	2%	
Motor vehicles	2	1%	
Construction in progress	7	2%	
	306	100%	

Source: Extracted from audited financial statements of Real Jade, FYE 2021.

END OF REPORT

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Messrs Deloitte PLT has given and have not subsequently withdrawn its written consent to the inclusion in this Circular of the name, the Accountants' Report, Reporting Accountants' Letter and all references thereto in the form and context in which they appear in this Circular.

Harneys Westwood & Reigels Singapore LLP, PC. Woo & Co, and P.C. Woo & ZhongLun W.D. LLP, have given and have not subsequently withdrawn their written consent to the inclusion in this Circular of their names, the Legal Opinion and all references thereto in the form and context in which they appear in this Circular.

Asia Equity Research has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Expert's Report and all references thereto in the form and context in which they appear in this Circular.

Protégé Associates Sdn Bhd has given and have not subsequently withdrawn its written consent to the inclusion in this Circular of the name, the extract of the Independent Market Researcher Report and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH has given its written confirmation that there are no situations of conflict of interest that exist or is likely to exist in relation to its role as the Adviser for the Proposed Acquisition.

Messrs Deloitte PLT has given its written confirmations that there are no situations of conflict of interest that exist or is likely to exist in relation to its role as the provider of the Accountants' Report and Reporting Accountants' Letter.

Harneys Westwood & Reigels Singapore LLP, PC. Woo & Co, and P.C. Woo & ZhongLun W.D. LLP have given their written confirmations that there are no situations of conflict of interest that exist or is likely to exist in relation to their roles as the providers of the Legal Opinion.

Asia Equity Research has given its written confirmation that there are no situations of conflict of interest that exist or is likely to exist in relation to its role as the provider of the Expert's Report.

Protégé Associates Sdn Bhd has given its written confirmation that there are no situations of conflict of interest that exist or is likely to exist in relation to its role as the provider of the Independent Market Researcher Report.

FURTHER INFORMATION

4. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by Mudajaya Group which, upon becoming enforceable, may have a material impact on the financial results/ position of Mudajaya Group.

5. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of Mudajaya Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Mudajaya at PH1, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- (i) the Constitution of Mudajaya;
- (ii) the Memorandum and Articles of Association of Real Jade;
- (iii) the audited financial statements of Mudajaya Group for the past 3 financial years up to the FYE 31 December 2021 and the latest unaudited quarterly results for the 6-month FPE 30 June 2022;
- (iv) the audited financial statements of Real Jade Group for the past 3 financial years up to the FYE 31 December 2021;
- (v) the Independent Market Researcher Report referred to in **Sections 5.2, 5.4 and 5.7** of this Circular;
- (vi) the letters of consent and declarations of conflict of interests referred to in **Sections 2 and 3** above, respectively;
- (vii) the Accountants' Report as referred to in **Appendix III** of this Circular;
- (viii) the Reporting Accountants' Letter as referred to in **Appendix IV** of this Circular;
- (ix) the Directors' Report on Real Jade as referred to in **Appendix V** of this Circular;
- (x) the Legal Opinion as referred to in **Appendix VI** of this Circular;
- (xi) the Expert's Report as referred to in **Appendix VII** of this Circular; and
- (xii) the material contracts as referred to in **Section 9, Appendix II** of this Circular.



MUDAJAYA GROUP BERHAD

Registration No. 200301003119 (605539-H)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Mudajaya Group Berhad ("**Mudajaya**" or the "**Company**") will be held as a virtual meeting on the following date, time and venue or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:-

Day and Date : Thursday, 20 October 2022
Time : 2.30 p.m.
Broadcast Venue : Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Online Meeting Platform : Lumi AGM provided by Boardroom Share Registrars Sdn Bhd in Malaysia at <https://meeting.boardroomlimited.my>

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY XELMONT LIMITED, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF MUDAJAYA, OF THE ENTIRE EQUITY INTEREST IN REAL JADE LIMITED FOR AN INDICATIVE PURCHASE CONSIDERATION OF HKD400,000,000 (EQUIVALENT TO RM224,320,000) TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED ACQUISITION")

"**THAT** subject to and conditional upon the approvals of all relevant regulatory authorities and/ or third parties being obtained, where required, and the conditions precedent in the conditional share sale and purchase agreement dated 30 June 2022 entered into between Xelmont Limited (purchaser), Minyi Holdings Limited (vendor), Mudajaya and Real Jade Limited for the Proposed Acquisition of Real Jade Limited being fulfilled or waived, approval be and is hereby given to Mudajaya, through its wholly-owned subsidiary namely Xelmont Limited, to acquire the entire equity interest in Real Jade Limited at a purchase consideration of HKD400,000,000 (equivalent to RM224,320,000) to be fully satisfied via cash.

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Acquisition with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition."

By Order of the Board

LEE SUAN CHOO (MAICSA 7017562) (SSM PC No. 202008003634)
CHEAH WAI YUEN (MAICSA 7025907) (SSM PC No. 202008002515)
Company Secretaries

Petaling Jaya
3 October 2022

Notes:

1. The EGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting facilities ("**RPV**"). Please follow the procedures as set out in the Administrative Guide for the EGM in order to register, participate and vote remotely via RPV.
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. No members/ proxies from the public shall be physically present at nor admitted to the Broadcast Venue.
3. A member of the Company who is entitled to attend, participate and vote at a general meeting of the Company, may appoint not more than 2 proxies to attend, participate and vote instead of the member at the meeting. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the proxy shall have the same rights as the member.
4. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.
6. Where a member or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise the appointment shall be invalid. An exempt authorised nominee which intends to appoint multiple proxies, must submit separate instruments of proxy.
7. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
8. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia either personally, by fax at (603) 7890 4670, by electronic mail to BSR.Helpdesk@boardroomlimited.com, by sending it through the post, or submitted electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
9. For the purpose of determining who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **12 October 2022** and only members whose names appear in the Record of Depositors shall be entitled to attend, participate and vote at this EGM via RPV.
10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of EGM shall be put to vote by way of poll.

Personal Data Privacy:-

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, participate and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*



MUDAJAYA GROUP BERHAD
Registration No. 200301003119 (605539-H)
(Incorporated in Malaysia)

PROXY FORM

No. of Shares held	
CDS Account No.	

I/ We _____ *NRIC No./ Passport No./ Company No. _____
(NAME OF SHAREHOLDER AS PER NRIC)

Tel No. _____ of _____
(FULL ADDRESS)

_____ being a member of MUDAJAYA GROUP BERHAD,

hereby appoint _____ *NRIC No./ Passport No. _____
(NAME OF PROXY AS PER NRIC)

Email: _____ of _____
(FULL ADDRESS)

and/or _____ *NRIC No./ Passport No. _____
(FULL NAME AS PER NRIC)

Email: _____ of _____
(FULL ADDRESS)

or failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and vote on *my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be held virtually from the Broadcast Venue at Level 11, Menara Mudajaya, No. 12A, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia and via Lumi AGM at <https://meeting.boardroomlimited.my> on **Thursday, 20 October 2022 at 2.30 p.m.** and at any adjournment thereof.

Please indicate with an "X" in the space below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED ACQUISITION		

* Strike out whichever is not applicable

Dated this _____ day of _____ 2022

For appointment of 2 proxies, the percentage of shareholdings to be represented by the proxies:		
	No. of Shares	Percentage
1 st Proxy		%
2 nd Proxy		%
Total:		100 %

Signature of Member _____

Common
Seal
(for Corporate
Members)

Notes:

- The EGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting facilities ("RPV"). Please follow the procedures as set out in the Administrative Guide for the EGM in order to register, participate and vote remotely via RPV.
- The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. No members/proxies from the public shall be physically present at nor admitted to the Broadcast Venue.
- A member of the Company who is entitled to attend, participate and vote at a general meeting of the Company, may appoint not more than 2 proxies to attend, participate and vote instead of the member at the meeting. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and the proxy shall have the same rights as the member.
- Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than 2 proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of the SICDA.



6. Where a member or the authorised nominee appoints 2 proxies, or where an exempt authorised nominee appoints 2 or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise the appointment shall be invalid. An exempt authorised nominee which intends to appoint multiple proxies, must submit separate instruments of proxy.
7. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if such appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.
8. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia either personally, by fax at (603) 7890 4670, by electronic mail to BSR.Helpdesk@boardroomlimited.com, by sending it through the post, or submitted electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
9. For the purpose of determining who shall be entitled to attend this EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **12 October 2022** and only members whose names appear in the Record of Depositors shall be entitled to attend, participate and vote at this EGM via RPV.
10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of EGM shall be put to vote by way of poll.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the Personal Data Privacy terms set out in the Notice of EGM dated 3 October 2022.

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AFFIX
STAMP

MUDAJAYA GROUP BERHAD

Registration No. 200301003119 (605539-H)

c/o Boardroom Share Registrars Sdn Bhd

Registration No. 199601006647 (378993-D)

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

2nd Fold Here

Fold This Flap For Sealing