
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Yuanda China Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee(s).

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CNYD

Yuanda China Holdings Limited

遠大中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2789)

DISCLOSEABLE AND CONNECTED TRANSACTION

**AUTOMATIC PRODUCTION AND INTELLIGENT STORAGE
FACILITIES AGREEMENT
AND
TECHNICAL SERVICE AGREEMENT
AND
NOTICE OF EGM**

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



Capitalized terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 13 of this circular.

A notice convening the EGM to be held at Conference Room 310, Block C, No. 20, 13th Street, Shenyang Economic and Technological Development District, Shenyang, China on Thursday, 10 December 2020 at 10:00 a.m. is set out on pages 43 to 44 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

The following precautionary measures will be taken by the Company for the EGM to prevent the spread of the COVID-19 epidemic: (i) compulsory temperature checks; (ii) compulsory wearing of surgical face masks; and (iii) no provision of refreshments and/or souvenirs. Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders are encouraged to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

20 November 2020

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DEFINITIONS

“Agreements”	the Automatic Production And Intelligent Storage Facilities Agreement and the Technical Service Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Automatic Production And Intelligent Storage Facilities Agreement”	the agreement dated 30 September 2020 entered into by and between Shenyang Yuanda and Yuanda Robot in relation to the sale of facilities and provision of service by Yuanda Robot as further detailed under the paragraph headed “Automatic Production And Intelligent Storage Facilities Agreement” of this circular;
“BLT”	瀋陽遠大智能工業集團股份有限公司 (Shenyang Yuanda Intellectual Industry Group Co., Ltd.), a company established in the PRC and a subsidiary of the Yuanda Group principally engaged in the designing, manufacturing, installation, and after-sales service of elevators, escalators and passenger conveyors business in the PRC;
“Board”	the board of directors of the Company;
“Company”	Yuanda China Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the director(s) of the Company;
“Donvex Capital” or “Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction;
“EGM”	the extraordinary general meeting of the Company to be held by the Company on Thursday, 10 December 2020 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the Transaction contemplated thereunder;
“Group”	the Company and its subsidiaries;

DEFINITIONS

“Independent Shareholders”	Shareholder(s) who are not required to abstain from voting at the EGM to approve the Agreements and the Transaction contemplated thereunder;
“Independent Third Party”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Latest Practicable Date”	17 November 2020, being the latest practicable date for ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Kang”	Mr. Kang Baohua, an executive Director and the controlling shareholder of the Company;
“Mr. Wang”	Mr. Wang Hao, an executive Director and a shareholder of the Company;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Shareholders”	shareholder(s) of the Company;
“Shenyang Yuanda”	瀋陽遠大鋁業工程有限公司 (Shenyang Yuanda Aluminium Industry Engineering Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of the Company as at the Latest Practicable Date and principally engaged in one-stop integrated curtain wall solutions including the design of curtain wall systems, procurement of materials, fabrication and assembly of curtain wall products, performing testing, installation of products at construction sites, and after-sales services business in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;

DEFINITIONS

“Technical Service Agreement”	the agreement dated 30 September 2020 entered into by and between Shenyang Yuanda and Yuanda Robot in relation to the provision of technical service by Yuanda Robot as further detailed under the paragraph headed “Technical Service Agreement” of this circular;
“Transaction”	the transactions contemplated under the Agreements;
“Valuer”	LCH (Asia-Pacific) Surveyors Limited, an independent valuer;
“Yuanda Group”	瀋陽遠大鋁業集團有限公司 (Shenyang Yuanda Aluminium Industry Group Ltd.), a company established in the PRC and is beneficially owned as to 99% by Mr. Kang and as to 1% by Mr. Yan Lianxue, an Independent Third Party;
“Yuanda Robot”	瀋陽遠大智慧高科機器人有限公司 (Shenyang Yuanda Intellectual Robot Co., Ltd), a company established in the PRC and a wholly-owned subsidiary of BLT as at the Latest Practicable Date and principally engaged in intelligent automation production line system integration, services and solution business in the PRC; and
“%”	per cent.

LETTER FROM THE BOARD



CNYD

Yuanda China Holdings Limited

遠大中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2789)

Executive Directors:

Kang Baohua (*Chairman*)
Liu Futao (*Chief executive officer*)
Ma Minghui
Wang Hao
Zhao Zhongqiu
Zhang Lei

Independent Non-Executive Directors:

Poon Chiu Kwok
Woo Kar Tung, Raymond
Pang Chung Fai, Benny

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters in China:

No. 20, Street 13
Shenyang Economic & Technological
Development Area
Shenyang 110027
China

Place Of Business in Hong Kong:

Unit E 14/F
Hang Seng Tsuen Wan Building
289 Sha Tsui Road
Tsuen Wan, New Territories
Hong Kong

20 November 2020

To the Shareholders

Dear Sir and Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

**AUTOMATIC PRODUCTION AND INTELLIGENT STORAGE
FACILITIES AGREEMENT**

AND

TECHNICAL SERVICE AGREEMENT

AND

NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 30 September 2020 in respect of the Transaction contemplated under the Agreements.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) the details of the Agreements and the Transaction contemplated thereunder; (ii) the recommendations from the Independent Board Committee regarding the Agreements and the Transaction contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser regarding the Agreements and the Transaction contemplated thereunder; (iv) independent valuation report in relation to the Agreements; (v) general information of the Group; and (vi) a notice for convening the EGM.

AGREEMENTS

On 30 September 2020, Shenyang Yuanda, a wholly-owned subsidiary of the Company entered into the Automatic Production And Intelligent Storage Facilities Agreement with Yuanda Robot, pursuant to which Yuanda Robot agreed to sell automatic production and intelligent storage facilities and to supply software development and design services to Shenyang Yuanda at the consideration of RMB35 million.

On the same date, Shenyang Yuanda entered into the Technical Service Agreement with Yuanda Robot, pursuant to which Yuanda Robot agreed to provide Shenyang Yuanda with automation upgrade and lean production service for the whole production process at the consideration of RMB5 million.

Automatic Production And Intelligent Storage Facilities Agreement

Date

30 September 2020

Parties

- (i) Shenyang Yuanda; and
- (ii) Yuanda Robot, principally engaged in intelligent automation production line system integration, services and solution, and a connected person of the Company under Chapter 14A of the Listing Rules.

Subject Matter

Pursuant to the Automatic Production And Intelligent Storage Facilities Agreement, Yuanda Robot agreed to sell automatic production and intelligent storage facilities and supplying software development and design services to Shenyang Yuanda, including high bay storage racks, automated storage and retrieval system, automatic guided vehicles, warehouse control system, warehouse management system and communication and monitoring system, the facilities and services of which will promote reduction of labor intensity in warehousing, improvement in automation production efficiency, realization of realtime management for materials information, and improvement in utilization of warehouse space.

LETTER FROM THE BOARD

Details of the automated production and intelligent storage facilities are as follow :

Item	Description/Specifications
High Bay Storage Racks	Construction : Hot rolled steel frames Rack Size : 6,500 mm x 1,420 mm x 1,125 mm Unit load : 8,000 kgs Number of storage racks : 504 Rack Layout : 4 sections x 18 rows x 7 levels Overall area : 10 m x 141 m x 10 m height (inclusive of stacker space)
Automated Storage and Retrieval System (2-Mast, 1-Deep Rail Stacker Crane)	Quantity : 2 sets Max. Travelling Speed : 120 m/min Max. Lifting Speed : 20 m/min Max. Height : 11 meters Pallet Size : 6,000 mm x 1,400 mm x 780 mm Rated Load : 8,000 kgs. Closed loop control with barcode and wireless communication system.
Automated Guided Vehicles (Laser Guided)	2-sets Model YD-CRP20-15-L, battery powered with scheduling and interface software system.
Warehouse Control Equipment	4-sets Storage Chain Conveyor: 6,200 mm long, 8,000 kgs. rated load. 4-sets Outbound Chain Conveyor: 6,500 mm long, 8,000 kgs. rated load 2-sets Shape testing equipment 2-sets Barcode scanner 2-sets Weighing modules 1-set Access computer system
Warehouse Management System	IBM Server with peripheral equipment, logistics management software, database system.
Wireless Handheld Management System	2-stations Motorola system with Handheld Terminal Software (HTS).
Monitoring and Dispatching System	Dell computer with monitoring and dispatching system software including scheduling and display board.
Network Communication and Interface System	Huawei/3Com with interface to ERP, MES or SAP.

LETTER FROM THE BOARD

For further details of the equipment and machinery under the Automatic Production And Intelligent Storage Facilities Agreement, please also refer to the valuation report as set forth in Appendix I to this circular.

Consideration and Payment terms

The consideration under the Automatic Production And Intelligent Storage Facilities Agreement is RMB35 million, which shall be payable by Shenyang Yuanda in cash in four different installments in the following manner:

- (i). about RMB10.5 million, representing 30% of the total consideration under the Automatic Production And Intelligent Storage Facilities Agreement shall be payable by Shenyang Yuanda within 7 business days from the date upon which the Automatic Production And Intelligent Storage Facilities Agreement and the transactions contemplated thereunder are being approved at the EGM;
- (ii). about RMB10.5 million, representing 30% of the total consideration under the Automatic Production And Intelligent Storage Facilities Agreement shall be payable by Shenyang Yuanda before 7 days prior the scheduled date of shipment of the goods;
- (iii). about RMB10.5 million, representing 30% of the total consideration under the Automatic Production And Intelligent Storage Facilities Agreement shall be payable by Shenyang Yuanda within 7 days from the date of receipt of goods; and
- (iv). about RMB3.5 million, representing 10% of the remaining portion of the total consideration under the Automatic Production And Intelligent Storage Facilities Agreement shall be payable by Shenyang Yuanda within 12 months from the date of receipt of goods.

The consideration under the Automatic Production And Intelligent Storage Facilities Agreement was determined on the basis of normal commercial terms and after arm's length negotiations between parties with reference to the cost of equipment, installation and commissioning, training and design services to be sold by Yuanda Robot under the Automatic Production And Intelligent Storage Facilities Agreement.

Technical Service Agreement

Date

30 September 2020

Parties

- (i) Shenyang Yuanda; and
- (ii) Yuanda Robot, principally engaged in intelligent automation production line system integration, services and solution, is a connected person of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Subject Matter

Pursuant to the Technical Service Agreement, Yuanda Robot agreed to provide Shenyang Yuanda with automation upgrade and lean production technical solutions for the whole production process, including the design, planning, simulation, and analysis of an automation equipment and intelligent storage equipment for industrial upgrading, lean production services, processing automation technology, and storage intelligent technology research and application projects in the curtain wall production process of the Group.

Consideration and Payment terms

The consideration under the Technical Service Agreement is RMB5 million, which shall be payable by Shenyang Yuanda in cash in three different installments in the following manner:

- (i). about RMB1.5 million, representing 30% of the total consideration under the Technical Service Agreement shall be payable by Shenyang Yuanda upon the completion of solution design;
- (ii). about RMB3.0 million, representing 60% of the total consideration under the Technical Service Agreement shall be payable by Shenyang Yuanda upon the completion of production line simulation animation; and
- (iii). about RMB0.5 million, representing 10% of the remaining portion of the total consideration under the Technical Service Agreement shall be payable by Shenyang Yuanda upon completion of the technical solutions implementation.

The consideration under the Technical Service Agreement is determined on the basis of normal commercial terms and after arm's length negotiations between parties with reference to the estimated amount of time and rates of engineers, analysts, programmers, assistants and senior consultants including expenses incurred for logistics, design, verification, data management, statistical analyses, management and other technical service fees to be borne by Yuanda Robot.

BASIS OF DETERMINATION OF THE CONSIDERATIONS

For the purpose of assessing the fairness and reasonableness of the aggregate consideration payable by Shenyang Yuanda under the respective Agreements, the Company obtained preliminary opinion from the Valuer, whom has assessed the basis of determination of the consideration under the Agreements by using a combination of the market approach and the cost approach.

In relation to the Automatic Production And Intelligent Storage Facilities Agreement, given that the Company has not purchased customized automatic production and intelligent storage facilities similar to the machinery and equipment to be purchased under the Automatic Production And Intelligent Storage Facilities Agreement and there is no previous purchasing experience and similar complete sets of facilities that the Company could use as reference, the Company obtained an opinion from the Valuer, who assessed the terms of the

LETTER FROM THE BOARD

Automatic Production And Intelligent Storage Facilities Agreement as well as the key equipment, parts and labor costs, referring to the market price database of machinery and equipment and the market salary range contemplated thereunder. For future details in relation to the valuation of the assets under the Automatic Production And Intelligent Storage Facilities Agreement, please refer to the valuation report as set forth in Appendix I to this circular.

In relation to the Technical Service Agreement, the Company has obtained an opinion from the Valuer to determine the fairness and reasonableness of the consideration, among which, the Valuer has considered the estimated cost, such as management fees, taxes, accessory fees and other costs that will be incurred by Yuanda Robot in providing such technical service as well as the estimated time that Yuanda Robot requires to complete each stage of the scope of work and deliverable.

In addition to the obtaining of an opinion from the Valuer, the Company has also made assessment to the fairness and reasonableness of the consideration under the Agreements as follows:

- (i) in terms of the Automatic Production And Intelligent Storage Facilities Agreement, the Company has also made enquiries with 3 other companies prior to the signing of the Automatic Production And Intelligent Storage Facilities Agreement and indicated to those companies of the requirements of the machinery and equipment that the Company was looking for. However, most of the other companies were unable to meet the Company's project specification. Whilst one of the companies is able to provide products similar to what the Company required, the size of the Company's project is not in line with the typical workflow for such company. To the contrary, Yuanda Robot can undergo customization to cater for the specification of the project. Upon receiving the opinion from the Valuer, the Directors reviewed the terms of the Automatic Production And Intelligent Storage Facilities Agreement and also made some independent assessment of the components that were considered by the Valuer in arriving their opinion. In particular, the Company obtained third parties quotations from independent suppliers for the key equipment and accessories (e.g. high bay storage racks and automated storage and retrieval system.) similar to those that will be supplied under the Automatic Production And Intelligent Storage Facilities Agreement, and concluded that the quotation provided by Yuanda Robot was lower than those independent suppliers. In addition, the Company has also taken into consideration of the background of Yuanda Robot and its qualification. Yuanda Robot has superior qualifications and is also one of the qualified suppliers of CRRC Group, the only subway manufacturer in China. Accordingly, the Directors take the view that Yuanda Robot is qualified and have the capability to deliver the products under the Automatic Production And Intelligent Storage Facilities Agreement; and
- (ii) in terms of the Technical Service Agreement, as the consideration of the technical service to be provided thereunder is mainly composed of labor costs, the Company took into consideration of the equipment to be provided by Yuanda Robot under the Automatic Production And Intelligent Storage Facilities

LETTER FROM THE BOARD

Agreement together with the services to be provided under the Technical Service Agreement as a whole and derived the cost of labor services plus benefits accounted for 13% of the total transaction revenue under the Agreements. As only one comparable company is able to provide products similar to what the Company required, the Company conducted an analysis of the historical labor costs incurred by such company from the years 2013 to 2019 through public domain, and gathered that the historical labor costs ranged from 11% to 21% of the revenue. Accordingly, the Directors are of the view that the services fee to be charged by Yuanda Robot is in fact lower than the market level.

Based on the foregoing, the Directors (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that the consideration under the Agreements is fair and reasonable. The consideration has been and will be satisfied by the internal resources of the Group.

COMPLETION OF THE TRANSACTION

Completion of the Transaction is conditional upon all requisite approvals required under the relevant laws and regulations and all necessary consents from third parties required having been obtained, including but not limited to the approval by the Independent Shareholders at the EGM for the entering of the Agreements and the Transaction contemplated thereunder.

Save for the approval by the Independent Shareholders at the EGM for the entering of the Agreements and the Transaction contemplated thereunder, no other approvals is required under the relevant laws and regulations and no consents from third parties is necessarily required to be obtained prior to completion of the Transaction.

The above condition cannot be waived, if the above condition cannot be fulfilled, the parties to the Agreements have the right to terminate.

REASONS FOR TRANSACTION

The Group is a provider of one-stop integrated curtain wall solutions including the design of curtain wall systems, procurement of materials, fabrication and assembly of curtain wall products, performing testing, installation of products at construction sites, and after-sales services.

Yuanda Robot has extensive experience in the development and design of industrial automation and enterprise intellectualization. The facilities and service provided under the Agreements are in the usual and ordinary course of business of Yuanda Robot.

In order to further enhance its core competitiveness, the Group promotes and implements the construction of intelligent factories among relevant subsidiaries, through the application of intelligent equipment and software, the Group aims to achieve increase in labour productivity, reduction of labour intensity and enhancement of safety of the production process. The relevant facilities and software system together with the technical

LETTER FROM THE BOARD

services to be provided by Yuanda Robot under the Agreements are customized and developed by Yuanda Robot according to the Group's requirements and needs, and their performance surpasses those of similar products in the market.

The terms of the Agreements were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) are of the view that the terms of the Agreements are on normal commercial terms and are fair and reasonable and the Transaction contemplated under the Agreements are in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Yuanda Robot is a wholly-owned subsidiary of BLT, which is a company the shares of which are listed on Shenzhen Stock Exchange and owned as to 37.96% by the Yuanda Group. As at the Latest Practicable Date, Yuanda Group is beneficially owned as to 99% by Mr. Kang, an executive Director and the controlling shareholder of the Company, and as to 1% Mr. Yan Lianxue, an Independent Third Party. Mr. Wang, an executive Director and a shareholder of the Company, is also an executive Director of BLT. Accordingly, Yuanda Robot is a connected person of the Company at issuer level pursuant to Rule 14A.13(3) of the Listing Rules. The entering into of each of the Agreements by Shenyang Yuanda constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Agreements are entered into by Shenyang Yuanda with the same entity (i.e. Yuanda Robot), the Agreements are aggregated as a Transaction under Rule 14A.82(1) of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Transaction exceeds 5%, the entering into the Automatic Production And Intelligent Storage Facilities Agreement and the Technical Service Agreement is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as one or more of the applicable percentage ratios in respect of the Automatic Production And Intelligent Storage Facilities Agreement exceeds 5% and all applicable percentage ratios are below 25%, the entering into the Automatic Production And Intelligent Storage Facilities Agreement also constitutes as a discloseable transaction of the Company and subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An independent board committee of the Company comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Agreements and the Transaction contemplated thereunder are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. Donvex Capital Limited has been appointed as the independent financial adviser to provide advice and recommendation to the independent board committee of the Company and the Independent Shareholders in this respect.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Yuanda Robot is a wholly-owned subsidiary of BLT, which is a company the shares of which are listed on Shenzhen Stock Exchange and owned as to 37.69% by the Yuanda Group. As at the Latest Practicable Date, Yuanda Group is beneficially owned as to 99% by Mr. Kang, an executive Director and the controlling shareholder of the Company, and as to 1% Mr. Yan Lianxue, an Independent Third Party. Further, Mr. Wang, an executive Director and a shareholder of the Company, is also an executive Director of BLT. Accordingly, each of Mr. Kang and Mr. Wang is considered to be interested in the Transaction contemplated under the Agreements, and has therefore abstained from voting for the Board resolutions to approve the Agreements and the Transaction contemplated thereunder. Save as otherwise and to the best of the Directors' knowledge, information and belief, no other Director is required to abstain from voting on the board resolutions in relation to the approval of the Agreements.

EGM

The voting at the EGM will be taken by a poll. The Company will make an announcement of the poll results in accordance with the relevant requirements under the Listing Rules as soon as possible.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Agreements and the Transaction contemplated thereunder where Mr. Kang (holding approximately 59.57% of the total number of shares in issue as at the Latest Practicable Date), Mr. Wang (holding approximately 0.01% of the total number of shares in issue as at the Latest Practicable Date) and their associates shall abstain from voting on the resolution(s) approving the Agreements and the Transaction contemplated thereunder.

A notice convening the EGM to be held at Conference Room 310, Block C, No. 20, 13th Street, Shenyang Economic and Technological Development District, Shenyang, China on Thursday, 10 December 2020 at 10:00 a.m. is set out on pages 43 to 44 of this circular. A form of proxy for the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) considers that the terms of the Agreements are fair and reasonable; and entering into of the Agreements and the Transaction contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the

LETTER FROM THE BOARD

independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution for approving the Agreements and the Transaction contemplated thereunder to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the additional information as set out in the appendices to this circular and the notice of the EGM.

faithfully,
Yours By order of the Board of
YUANDA CHINA HOLDINGS LIMITED
Liu Futao
Executive Director

20 November 2020

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CNYD

Yuanda China Holdings Limited

遠大中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2789)

20 November 2020

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

AUTOMATIC PRODUCTION AND INTELLIGENT STORAGE

FACILITIES AGREEMENT

AND

TECHNICAL SERVICE AGREEMENT

We refer to the circular dated 20 November 2020 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) Agreements and the Transaction are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and (ii) the terms of Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Donvex Capital Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction. The text of the letter of advice from the Independent Financial Adviser containing their recommendations and the principal factors they have taken into account in arriving at their recommendations are set out from pages 16 to 27 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Agreements and the advice of the Independent Financial Adviser, we are of the opinion that (i) the Agreements and the Transaction are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that (ii) the terms of the Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the Agreements and the Transaction contemplated thereunder to be proposed at the EGM.

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

Mr. Poon Chiu Kwok

**Mr. Woo Kar Tung,
Raymond**

**Mr. Pang Chung Fai,
Benny**

Independent Non-executive Directors

20 November 2020

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 2501-2502, 25th Floor
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

20 November 2020

*The Independent Board Committee and the Independent Shareholders of
Yuanda China Holdings Limited*

Dear Sir/Madam,

**CONNECTED TRANSACTION
IN RELATION TO
(I) THE AUTOMATIC PRODUCTION AND INTELLIGENT STORAGE
FACILITIES AGREEMENT
(II) THE TECHNICAL SERVICE AGREEMENT**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Automatic Production And Intelligent Storage Facilities Agreement and (ii) the Technical Service Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 20 November 2020 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

Reference is made to the announcement dated 30 September 2020, Shenyang Yuanda, a wholly-owned subsidiary of the Company, entered into (a) the Automatic Production And Intelligent Storage Facilities Agreement with Yuanda Robot, pursuant to which Yuanda Robot agreed to (i) sell automatic production and intelligent storage facilities (the “**Target Asset**”), (ii) supply related software development, and (iii) provide related design services to Shenyang Yuanda at consideration of approximately RMB35 million (the “**Consideration**”); and (b) the Technical Service Agreement with Yuanda Robot, pursuant to which Yuanda Robot agreed to provide Shenyang Yuanda automation upgrade and lean production service for the whole production process (the “**Service**”) in Shenyang Warehouse (as defined below) at the consideration of approximately RMB5 million (the “**Fee**”).

As at the Latest Practicable Date, Yuanda Robot is a wholly-owned subsidiary of BLT, which its shares are listed on Shenzhen Stock Exchange and owned as to 37.96% by the Yuanda Group. Yuanda Group is beneficially owned as to 99% by Mr. Kang, an executive

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Director and the controlling shareholder of the Company, and as to 1% by Mr. Yan Lianxue, an Independent Third Party. Mr. Wang, an executive Director and a shareholder of the Company, is also an executive Director of BLT. Accordingly, Yuanda Robot is a connected person of the Company at issuer level pursuant to Rule 14A.13(3) of the Listing Rules. The entering into of each of the Agreements by Shenyang Yuanda constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the Agreements are entered into by Shenyang Yuanda with the same entity (i.e. Yuanda Robot), the Agreements are aggregated as a Transaction under Rule 14A.82(1) of the Listing Rules. As one or more of the applicable percentage ratio (as defined under the Hong Kong Listing Rules) of the Transaction is higher than 5% but less than 25%, the Transaction shall be subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the Independent Non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny has been established to advise the Independent Shareholders on (i) whether the terms of the Agreements are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote at the EGM. Being the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in or referred to in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information to reach an informed view regarding the Agreements, and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group.

Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Agreements, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

1. Background Information on the Group

Principal business and information of the Group

With reference to the Letter from the Board, the Group is a provider of one-stop integrated curtain wall solutions including the design of curtain wall systems, procurement of materials, fabrication and assembly of curtain wall products, performing testing, installation of products at construction sites, and after-sales services. Shenyang Yuanda is a company incorporated in the PRC and a wholly-owned subsidiary of the Company.

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Historical financial information of the Group

The table below sets forth a summary of the consolidated financial information of the Group for the six months ended 30 June 2020 (“6M2020”) and 30 June 2019 (“6M2019”) extracted from the Company’s interim results announcement for 6M2020:

	6M2020	6M2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	1,112,842	1,809,653
Loss for the period attributable to owners of the Company	(246,514)	(59,727)
	As at 30	As at 31
	June	December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Total assets	9,029,906	9,533,145
Total liabilities	6,581,952	6,801,450
Net assets	2,447,954	2,731,695

According to the interim results announcement for 6M2020, the revenue of the Group decreased by approximately RMB696.9 million or 38.5% from approximately RMB1,809.7 million for 6M2019 to approximately RMB1,112.8 million for 6M2020, which was mainly attributed to (a) the slowdown in domestic property development industry resulting from the global outbreak of COVID-19; and (b) the delay on the completion of certain oversea projects.

The loss for the period of the Group increased by approximately RMB186.8 million or 312.9% from approximately RMB59.7 million for 6M2019 to approximately RMB246.5 million for 6M2020, which was mainly attributed to (a) the increase in installation and on-site costs due to the slowdown in the progress of certain domestic projects resulting from the global outbreak of COVID-19; and (b) the increase in expected credit losses of the account receivables from its customers due to the deterioration of their credit rating.

The net assets of the Group decreased by approximately RMB283.7 million or 10.4% from approximately RMB2,731.7 million as at 31 December 2019 to approximately RMB2,448.0 million as at 30 June 2020, which was mainly attributed to the loss for the period of approximately RMB246.5 million for 6M2020.

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2. Information on Yuanda Robot and the Target Asset

Yuanda Robot

Yuanda Robot was incorporated in PRC on 13 March 2015 with registered capital of RMB100 million and is principally engaged in provision of services and solution in relation to intelligent automation products. Yuanda Robot is wholly-owned by BLT which its shares are listed on Shenzhen Stock Exchange.

Yuanda Robot has extensive experience in the development and design of intelligent automation products to its customers. The products include, among others (i) intelligent storage system and (ii) automatic production equipment. Hence, Yuanda Robot will customise and develop the Target Asset according to the Group's specification and needs.

The Target Asset and related services provided under the Agreements are in the usual and ordinary course of business of Yuanda Robot.

Financial information of Yuanda Robot

The table below sets forth a summary of the financial information of Yuanda Robot for the year ended 31 December 2019 (“FY2019”) and 31 December 2018 (“FY2018”) extracted from the annual report of Yuanda Robot for FY2019:

	FY2019 <i>RMB'000</i> <i>(Audited)</i>	FY2018 <i>RMB'000</i> <i>(Audited)</i>
Revenue	1,337	28,792
(Loss)/ profit for the year	(16,294)	4,837
	As at 31 December 2019 <i>RMB'000</i> <i>(Audited)</i>	As at 31 December 2018 <i>RMB'000</i> <i>(Audited)</i>
Total assets	57,820	67,573
Total liabilities	35,555	29,014
Net assets	22,265	38,559

The Target Asset

The Target Asset comprises high bay storage racks, automated storage and retrieval system, automatic guided vehicles, warehouse control system, warehouse management system and communication and monitoring system. The use of the Target Asset mainly is to (i) shorten the process of producing curtain wall products by replacing with the automated production equipment; (ii) save the logistics time of the

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inventory in the warehouse by integration of intelligent storage system into existing manual storage system; (iii) analysis database of products marketability to make production decisions and (iv) increase the storage density in the warehouse and reduce storage cost.

The Target Asset will be integrated in the warehouse of Shenyang Yuanda (the “Shenyang Warehouse”) which is located in Shenyang.

3. Reasons for and benefits of the Agreements

With reference to the Letter from the Board, the Group is a provider of one-stop integrated curtain wall solutions including the design of curtain wall systems, procurement of materials, fabrication and assembly of curtain wall products, performing testing, installation of products at construction sites, and after-sales services.

In order to further enhance its competitiveness in the supply of curtain wall products in the PRC, the Group will implement intelligent system in the current production plant, including but not limited to (i) application of intelligent storage system, and (ii) replacement with automatic production equipment. The Group aims to achieve reduction of labour intensity and improvement in automation production efficiency after such implement.

We are of the view that the reasons and benefits for the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into account the factors and reasons including:

Improvement in the gross profit margin of the Group

The Group will achieve cost saving of direct costs as well as improvement in the gross profit margin of the Group, which experienced the significant decrease of gross profit margin from approximately 20.3% for 6M2019 to approximately 19.3% for 6M2020. Such deterioration was mainly due to increase in staff costs for 6M2020.

Achievement of staff cost saving

As advised by the Board and the finance department of the Group, the Group will achieve staff cost saving of approximately RMB2.14 million per annum in the Shenyang Warehouse which is demonstrated by the reduction of the number of warehouse staffs from 28 to 2 before and after the integration of the Target Asset. The Board expected the useful life of the Target Asset would be approximately 15 to 20 years, therefore such cost saving would be last for 15 to 20 years as well. We have obtained the list of annual salary of the existing warehouse staffs which is approximately RMB80,000 per annum. As such, it is reasonable for the Group to achieve cost saving of approximately RMB2.1 million per annum by dismissing 26 warehouse staffs after the integration of the Target Asset.

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Enhance the efficiency of warehouse management

Save for the achievement of cost saving, the Target Asset will enhance the efficiency of warehouse management including:

- (a) the capacity of storage area of the Shenyang Warehouse would be released by approximately 8,500 m², after taking into account (1) the existing storage area of the Shenyang Warehouse is approximately 9,900 m² which has been fully utilised; and (2) the overall area of the Target Asset to be used would be approximately 1,400 m², mainly represented by the area of high bay storage racks. We have reviewed the quotation made by Yuanda Robot for the construction of the Target Asset (the “**Quotation**”), the Agreements and the Valuation Report (as defined below) including the specifications of the Target Asset, and concur with the Director in relation to the overall area of the Target Asset to be used; and
- (b) reduction of the risk of damage to the raw materials of Company, in particular to glass (which is a major material in the production of curtain wall products) during the logistic process after the integration of the Target Asset.

4. Principal terms of the Agreements

The Automatic Production And Intelligent Storage Facilities Agreement

Date: 30 September 2020

Purchaser: Shenyang Yuanda

Vendor: Yuanda Robot

Subject matter: Pursuant to the Automatic Production And Intelligent Storage Facilities Agreement, Yuanda Robot agreed to (i) sell automatic production and intelligent storage facilities, (ii) supply related software development, and (iii) provide related design services to Shenyang Yuanda, including high bay storage racks, automated storage and retrieval system (“**ASRS**”), automatic guided vehicles (“**AGV**”), warehouse control system, warehouse management system and communication and monitoring system.

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- Consideration
- Approximately RMB35 million The consideration will be paid in cash by Shenyang Yuanda in accordance with the following manner:
- (i) Approximately RMB10.5 million, representing 30% of the total consideration under the Automatic Production And Intelligent Storage Facilities Agreement shall be payable by Shenyang Yuanda within 7 business days from the date upon which the Transaction contemplated thereunder is being approved at the EGM;
 - (ii) Approximately RMB10.5 million, representing 30% of the total consideration under the Automatic Production And Intelligent Storage Facilities Agreement shall be payable by Shenyang Yuanda on or before 7 days prior the scheduled date of shipment of the goods;
 - (iii) Approximately RMB10.5 million, representing 30% of the total consideration under the Automatic Production And Intelligent Storage Facilities Agreement shall be payable by Shenyang Yuanda within 7 days from the date of receipt of goods; and
 - (iv) Approximately RMB3.5 million, representing 10% of the remaining portion of the total consideration under the Automatic Production And Intelligent Storage Facilities Agreement shall be payable by Shenyang Yuanda within 12 months from the date of receipt of goods.

The Technical Services Agreement

- Date: 30 September 2020
- Parties: (1) Shenyang Yuanda
(2) Yuanda Robot
- Subject matter: Pursuant to the Technical Service Agreement, Yuanda Robot agreed to provide Shenyang Yuanda automation upgrade and lean production service for the whole production process, including the design, planning, simulation, and analysis of an automation equipment and intelligent storage equipment for industrial upgrading, lean production technical solution, processing automation technology, and storage intelligent technology research and application projects in the curtain wall production process of the Group.
- Period: One year from October 2020 to October 2021

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Fee: Approximately RMB5 million

The fee will be paid by Shenyang Yuanda in accordance with the following schedule:

- (i) Approximately RMB1.5 million, representing 30% of the total consideration under the Technical Service Agreement shall be payable by Shenyang Yuanda upon the completion of solution design;
- (ii) Approximately RMB3.0 million, representing 60% of the total consideration under the Technical Service Agreement shall be payable by Shenyang Yuanda upon the completion of production line simulation animation; and
- (iii) Approximately RMB0.5 million, representing 10% of the remaining portion of the total consideration under the Technical Service Agreement shall be payable by Shenyang Yuanda upon completion of the technical solutions implementation.

Completion of the Transaction

Completion of the Transaction is conditional upon all requisite approvals required under the relevant laws and regulations and all necessary consents from third parties required having being obtained, including but not limited to the approval by the Independent Shareholders at the EGM for the entering of the Agreements and the Transaction contemplated thereunder.

The above condition cannot be waived, if the above condition cannot be fulfilled, the parties to the Agreements have the right to terminate.

5. Basis of determination of the Consideration and the Fee

The Consideration was determined on the basis of normal commercial terms and after arm's length negotiations between parties with reference to the cost of equipment, installation and commissioning, training and design services to be sold by Yuanda Robot under the Automatic Production And Intelligent Storage Facilities Agreement.

The Fee was determined on the basis of normal commercial terms and after arm's length negotiations between parties with reference to the estimated amount of time and rates of engineers, analysts, programmers, assistants and senior consultants including expenses incurred for logistics, design, verification, data management, statistical analyses, management and other technical service fees to be borne by Yuanda Robot.

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For the purpose of assessing the fairness and reasonableness of the Consideration and Fee, the Board obtained preliminary opinion from the Valuer, whom has assessed the basis of determination of the Consideration and Fee by using the market approach and the cost approach.

Our assessment

LCH (Asia-Pacific) Surveyors Limited, a professional independent valuer (the “**Valuer**”), has been engaged by the Company to assess the basis of determination of the Consideration and Fee under the Agreements (the “**Valuation Report**”). According to the Valuation Report, the Valuer considered the basis of determination of the Consideration and Fee is fair and reasonable, given that (i) the value of the Target Asset, (ii) and the cost of the Service estimated by them were higher than the aggregate of the Consideration and Fee quoted by Yuanda Robot to the Company.

For our due diligence works on valuation, we have reviewed the Valuation Report and assessed (A) the experience of the Valuer and its engagement, (B) the valuation methodologies, and (C) the valuation assumptions.

(A) Experience of the Valuer and its engagement

We have conducted an interview with the Valuer in relation to its experience in valuing companies for similar transaction, and its independence. Based on our interview with the Valuer, we understand that the Valuer is an established independent valuer with a large number of completed assignments in particular to asset valuation. We also understand that the director-in-charge of the valuation team has over 25 years’ experience in valuation. We have also reviewed the terms of engagement letter of the Valuer and noted that the purpose of which is to prepare a valuation report and provide the Company with the opinion on the fairness and reasonableness of the Consideration and Fee.

The Valuer confirmed that it did not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation. We are not aware of limitation of the scope of work which might have an adverse impact on the degree of assurance given by the Valuer in the Valuation Report.

Based on our interview with them, we are satisfied with the terms of engagement of the Valuer as well as its independence, qualification and experience for preparation of the Valuation Report.

(B) Valuation methodologies

We have discussed with the Valuer in relation to the valuation methodologies used by the Valuer in the Valuation Report. Based on our discussion with the Valuer, we are advised that the Valuer have considered three generally accepted valuation approaches, namely the market approach, the income approach and the cost approach.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Valuation methodology used for the Consideration

In determining the basis of the Consideration, the Valuer considered the income approach was inappropriate after taking into account the Target Asset would not generate any direct income to the Company as it is in the process of being purchased by the Company and has not yet installed. As such, the combination of market and cost approaches is the most appropriate valuation method for the Consideration.

Valuation methodology used for the Fee

In determining the basis of determination of the Fee, the Valuer considered the income approach and market approach were inappropriate after taking into account the Service is a scope of work specifically designed for the Company and there is no market information available for analysis as well as no direct income would be generated. As such, the cost approach was the most appropriate valuation method for the Fee.

Having taken into account (i) the Target Asset and the Service would not generate direct income to the Company; and (ii) there is no market information available for the Service as scope of work was specifically designed for the Company, we are of the view that the valuation methodologies used by the Valuer in assessing the basis of determination of the Consideration and Fee is fair and reasonable.

(C) Valuation assumptions

We have reviewed the calculation of the valuation and discussed with the Valuer in relation the valuation assumptions used by the Valuer in the Valuation Report. Based on our discussion with the Valuer, we are advised that the Valuer estimated (a) the cost of the Service, and (b) the value of the Target Asset, by mainly using the following assumptions:

- (i) the cost of high bay storage racks was based on (1) the type and size of materials to be used; and (2) the current market prices of steel and estimated tonnage to be consumed in the construction. We have (1) obtained the relevant information provided by the Valuer including the research on the market prices of steel and the calculation for the cost of high bay storage racks; (2) reviewed the list of the materials to be used for construction of the high bay storage racks by inspecting the Quotation and the Agreements; (3) reviewed the assumption adopted by the Valuer in the aforesaid calculation; and (4) reviewed the source of information of the aforesaid research including the website used by the Valuer as reference for the current market price of steel;
- (ii) the cost of the ASRS and AGV were based on market information for similar equipment taking into consideration its size, type and capacity. We have (1) obtained the relevant market information for similar equipment which was provided by the Valuer; (2) assessed whether those similar equipment are fair representative samples by reviewing their function; and (3) compared the cost of ASRS and AGV to the market price of similar equipment; and

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- (iii) the cost of the Service was based on (1) the estimated time to complete the scope of work; (2) and the hourly rate of each technician. We have (1) obtained relevant calculation for the estimated cost of the Service which was provided by the Valuer; (2) reviewed the assumption adopted by the Valuer in the aforesaid calculation; and (3) assessed the estimated time to complete the scope of work and the hourly rate of each technician by reviewing the number of technicians to be involved in the Service and their qualification respectively.

Having taken into account the above, we are of the view that the valuation assumptions used by the Valuer in assessing the basis of determination of the Consideration and Fee is fair and reasonable.

Conclusion of our assessment

In light of our due diligent work to assess (A) the experience of the Valuer and its engagement, (B) the valuation methodologies, and (C) the valuation assumptions as mentioned above, we are of the view that the basis of determination of the Consideration and Fee is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into consideration the principal factors and reasons as stated above, we are of the opinion that (a) the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (b) the Transaction is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

The following is the valuation report prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent valuer, in connection with its assessment of the Automatic Production And Intelligent Storage Facilities Agreement.



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

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

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

20 November 2020

The Board of Directors
Yuanda China Holdings Limited
No. 20, 13th Street
Shenyang Economic and Technological Development District
Shenyang, 110027
China

Dear Sirs,

1. INSTRUCTIONS

With reference to the instructions of the present management of Yuanda China Holdings Limited (hereinafter referred to as the “**Company**”), we have conducted an agreed upon procedures valuation regarding a planned acquisition of an automated production equipment and intelligent storage system (“**Subject Plant and Machinery**”), by reference to the technical agreement entered between Shenyang Yuanda Aluminum Industry Engineering Co., Ltd. (瀋陽遠大鋁業工程有限公司), a wholly-owned subsidiary of the Company and

hereinafter referred to as “**Shenyang Yuanda**”, and Shenyang Yuanda Intelligent High-Tech Robot Co., Ltd. (瀋陽遠大智能高科機器人有限公司) (“**Supplier**”) for the Company’s management reference. The Company together with Shenyang Yuanda hereinafter collectively referred to as the “**Group**”.

We understand that the Group and the Supplier are related parties and our valuation is required to assess the reasonableness of the Subject Plant and Machinery to be supplied. For this valuation, we have adopted 30 September 2020 as the relevant valuation date (the “**Relevant Date**”).

Subsequent to the above instructions, we commenced with our valuation by gathering relevant information about the Subject Plant and Machinery, held discussions with personnel of the Group, gathered relevant documents such as equipment supply contracts, drawings and equipment specifications, and made necessary research and enquiries to complete our valuation. Due to the prevailing Novel Coronavirus (COVID-19) outbreak, it was agreed that this valuation is to be conducted without on-site inspection and that the Group will provide to us all information and photographs we will require for our valuation.

Based on the instructions of the Company, it is understood that our work product will be used as part of its business due diligence and we have not been engaged to make specific sale or purchase recommendations. We further understand that the management of the Company will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decision. Our findings and conclusions in this valuation are documented below.

At the request of the present management of the Company, we have prepared this summary report to summarize our findings and conclusions, as documented in our detailed report of the same date, for the purpose of inclusion in this circular for the reference of the Company’s shareholders. Terms used herein without definition shall have the same meanings as in the detailed report, and the assumptions and caveats adopted in the detailed report also apply to this summary report.

2. DOCUMENTS AND INFORMATION REVIEWED

For the purpose of this valuation we were provided the following:

- 1) 報價單 (Quotation)
- 2) 自動化生產及智能倉儲設備 — 技術協議 (Technical Agreement)
- 3) 自動化生產及智能倉儲設備 — 系統銷售合同 (Sales Contract)

The Quotation provided a brief description of the Subject Plant and Machinery to be supplied together with the costs for design, installation and commissioning, training and packing and transportation. The total amount quoted is Rmb Yuan 35,026,320 inclusive of 13% VAT. It is not signed and dated 7 August 2020.

The Technical Agreement comprising 63 pages provides an overview of the Subject Plant and Machinery, the design principles, functional requirements, Shenyang Yuanda and Supplier responsibilities, description of the equipment to be supplied, drawings, list of equipment to be supplied with specifications, and detailed description and operation of the equipment and software. Also included are the documents to be supplied, warranty and service, training, acceptance, effectivity of the agreement, payment terms and signing part. The Technical Agreement is signed and dated 30 September 2020.

The signed Sales Contract comprising 6 pages describe the scope of supply and total contract price, terms of payment, delivery, and other standard terms like force majeure, arbitrations, confidentiality, contract termination and acceptance terms. It has a special clause stating that the Sales Contract is subject to approval of the EGM (as defined in this circular). The total amount of the contract is Rmb Yuan 35,026,320 inclusive of VAT. It is signed and dated 30 September 2020.

During the course of our valuation, we have sent a number of queries to the Group and Supplier to better understand the Subject Plant and Machinery, components of the pricing, materials to be used, and manufacturer of the components. We were also provided pictures of a similar intelligent storage system installed by the Supplier.

To complete our data gathering from the Group and Supplier, we held a telephone interview with their representatives to settle any concerns we have regarding the specifications, works to be undertaken regarding purchased equipment, lead time requirements, timing of the installation and commissioning, and other relevant details.

3. DESCRIPTION OF THE SUBJECT PLANT AND MACHINERY

Based on the information gathered, the Subject Plant and Machinery comprise an automated production equipment and intelligent storage system with high bay storage racks, automated storage and retrieval system, automatic guided vehicles, warehouse control system, warehouse management system and communication and monitoring system. Details of the automated warehouse system are as follow:

Item	Description/Specifications
High Bay Storage Racks	Construction: Hot rolled steel frames Rack size: 6,500 mm x 1,420 mm x 1,125 mm Unit load: 8,000 kgs Number of storage racks: 504 Rack layout: 4 sections x 18 rows x 7 levels Overall area: 10 m x 141 m x 10 m height (inclusive of stacker space)

Item	Description/Specifications
Automated Storage and Retrieval System (2-Mast, 1-Deep Rail Stacker Crane)	Quantity: 2 sets Max. travelling speed: 120 m/min Max. lifting speed: 20 m/min Max. height: 11 meters Pallet size: 6,000 mm x 1,400 mm x 780 mm Rated load: 8,000 kgs. Closed loop control with barcode and wireless communication system.
Automated Guided Vehicles (Laser Guided)	2-sets Model YD-CRP20-15-L, battery powered with scheduling and interface software system.
Warehouse Control Equipment	4-sets Storage chain conveyor: 6,200 mm long, 8,000 kgs. rated load. 4-sets Outbound chain conveyor: 6,500 mm long, 8,000 kgs. rated load 2-sets Shape testing equipment 2-sets Barcode scanner 2-sets Weighing modules 1-set Access computer system
Warehouse Management System	IBM Server with peripheral equipment, logistics management software, database system.
Wireless Handheld Management System	2-stations Motorola system with Handheld Terminal Software (HTS).
Monitoring and Dispatching System	Dell computer with monitoring and dispatching system software including scheduling and display board.
Network Communication and Interface System	Huawei/3Com with interface to ERP, MES or SAP.
Others (Company supply)	Main power and electrical distribution supply, cabling, lighting, and fire system.

We understand that the Subject Plant and Machinery will be installed at the Group's factory site at No. 20, 13th Street, Shenyang Economic and Technological Development District, Shenyang, China.

3.1 Exclusions

This valuation is limited to the Subject Plant and Machinery described above and was based on the contract and other documents provided to us. Other assets like the Group supplied equipment, real estate and other types of assets like spare parts, supplies, inventories, materials on hand, all other tangible assets that are current in nature and intangible assets that might exist were excluded.

3.2 Inspection

Since the Subject Plant and Machinery is presently in the proposal stage and due to the prevailing Novel Coronavirus (COVID-19) outbreak, we did not conduct inspection of the Subject Plant and Machinery. For our valuation, we reviewed various documents and information provided to us for the purpose of this valuation. These are described in details in Section 2 – Documents and Information Reviewed of this report.

4. BASIS OF VALUE

We have valued the Subject Plant and Machinery on the basis of Fair Market Value – Installed. This is defined by the American Society of Appraisers (ASA) as:

“The estimated amount, expressed in terms of money, that may be reasonably expected for a property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, including installation, as of a specific date.”

This amount includes all normal direct and indirect costs, such as installation and other assembly costs to make the property fully operational but does not have to be supported by the business earnings.

This basis of value was adopted in this valuation considering the contract and supply agreement have included the cost of installation and commissioning. However, costs associated with Company supplied equipment like electrical and lighting supply has been excluded.

This basis of value is considered to be synonymous with the Market Value definition of the International Valuation Standards. The cost approach concept in this valuation include assets of equal utility analysis using market-based costs.

This opinion of value is not related to or dependent upon the earning capacity of the business the Subject Plant and Machinery are in use. It assumes that prospective earnings would provide a reasonable return to the plant and machinery valued, plus the value of other assets not included in this valuation and adequate working capital.

5. VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transportation, installation, commissioning and consultants' fees. Adjustment is then made for accrued depreciation from physical deterioration, condition, utility, age and functional and economic/external obsolescence.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to investment properties, general-use properties where there is an established and identifiable rental market or to an aggregation of assets in an entire business enterprise including working capital and tangible and intangible assets.

In all situations, all approaches to value must be considered, as one or more may be applicable to the Subject Plant and Machinery. In some situations, elements of the three approaches may be combined to reach a value conclusion. However, the relative strength, applicability, and significance of the approaches and their resulting values must be analyzed and reconciled.

6. VALUATION ANALYSIS

During our valuation, we considered all three approaches to value and adopted the combination of the cost and market approaches as the main valuation approach considering the Subject Plant and Machinery is currently in the process of being purchased by the Company. The income approach was found inappropriate since the Subject Plant and Machinery are not yet installed.

In conducting our valuation, we have relied on the documents provided to us, replies made by the Company and Supplier to our queries regarding the Subject Plant and Machinery, and photographs of similar equipment completed by the Supplier. We also referred to invoices and contracts for similar equipment in our existing machinery database on the equipment supply and contract for similar intelligent storage system as well as various websites in the internet. We did not conduct on-site inspection of the Subject Plant and Machinery since it is not yet installed.

In using the cost approach, we estimated the cost to design, construct and install the high bay storage racks based on the type and size of materials to be used in its construction. From the information provided to us, we estimated the amount of materials by weight, the costs to design, fabricate, assemble and manage the construction of the racks. Cost of

material was based on current market prices of hot rolled steel bars and plates and estimated tonnage to be consumed in the construction. Design, fabrication, assembly and management associated in constructing the high bay storage racks were estimated based on generally accepted cost factors as a percentage of the material cost.

The cost of the automated storage and retrieval system and automated guided vehicles were based on market information for similar equipment taking into consideration the size, type and capacity of the equipment being compared. Depending on the quality of information, we used direct matching, comparable matching and percent of cost analysis.

Other components of the contract such as design, installation and commissioning, training and packing, and transportation were estimated as a percentage cost of these components to the total cost of the main equipment in the Quotation. These percentages were compared to the invoices and quotations of a similar automatic storage retrieval system and warehouse management system we have in our internal database. We arrived at the costs of these other components for the Subject Plant and Machinery after considering the inherent characteristics of the equipment in the Quotation and our internal database.

Costs arrived at based on our independent estimate were accumulated and the total of Rmb Yuan 38,500,000 exclusive of 13% VAT was compared to the amount quoted in the Quotation and Technical Agreement. Since our valuation arrived at a higher total than the amount quoted to Shenyang Yuanda, we therefore consider that the amount quoted for the supply of the Subject Plant and Machinery to be reasonable.

7. VALUATION COMMENTS

We reviewed historical accounting records, technical specifications and other documents relating to the Subject Plant and Machinery. Though we have not carried out an independent investigation of the said information, we found no reason not to rely to a considerable extent on such information in arriving at our opinion of value.

We have assumed that all material information that would affect the value of the Subject Plant and Machinery has been properly disclosed.

We confirm that we have no present or contemplated future interest in the Subject Plant and Machinery or any other interests that may prevent our having arrived at a fair and unbiased assessment of value.

No deduction has been made in our valuation in respect of any outstanding amounts owing under any finance lease or hire purchase agreement, pre-payments and construction in progress. The assets have been valued as being wholly owned and free of all encumbrances. We have not investigated the titles to or any liabilities affecting the Subject Plant and Machinery.

This valuation is concerned solely with the value of the Subject Plant and Machinery and our opinion of value is not related to or dependent upon the earning capacity of the business. We did not attempt to arrive at the value of the factory as a total business entity.

This report has been made in consideration with the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation on Personal Property valuations and in line with the ethics and guidelines as contained in the International Valuation Standards published by the International Valuation Standards Council. This valuation has been prepared for the sole use of the Company for its intended purpose.

With the outbreak of the Novel Coronavirus (COVID-19), there has been comparatively large number of factories closing but lower levels of transactional activity and liquidity. Higher degree of caution should be accorded to valuations than would normally be the case. With the unknown future impact that COVID-19 might have on manufacturing and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that valuations should be reviewed as these uncertainties are reduced.

We retain a copy of this report in our files, together with the data from which it was prepared. We considered these records confidential, and do not permit access to them by anyone without the client's authorisation and prior arrangement made with us. Moreover, we will add the name of the client into our client list for our future reference.

8. GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This valuation report is made subject to the following General Assumptions and Limiting Conditions:

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters, including title or encumbrances. Titles to the assets are assumed to be good and marketable unless otherwise stated. The assets are further assumed to be free and clear of any or all liens, easements or encumbrances, unless otherwise stated.
2. Information furnished by others, upon which all or portions of this report is based, is believed to be reliable but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.
3. This report has been made only for the purposes stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitation, any conclusions as to value or the identity of LCH (Asia-Pacific) Surveyors Limited ("LCH") or any individuals signing or associated with this report or the professional associations or organisations with which they are affiliated), shall be disseminated to third parties by any means without the prior written consent and approval of LCH.
4. Neither LCH nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, testimony, or appear in court or other legal proceedings, unless prior specific arrangements have been made.
5. No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this report to reflect events or conditions that occur subsequent to the appraisal date hereof.

6. The date of value to which the opinions expressed in this report apply is set forth in this report.
7. Unless otherwise stated, it is assumed that all required licenses, certificates, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates contained in this report are based.
8. Full compliance with all applicable state and local zoning, use, environmental, and similar laws and regulations is assumed unless otherwise stated.
9. Responsible ownership and competent management are assumed.
10. In connection with this assignment, the client agrees to indemnify and hold harmless LCH and its personnel from any claims, liabilities, costs and expenses (including, without limitation, attorneys' fees and the time of LCH personnel involved) brought against, paid or incurred by LCH at a time and in any way based on the information made available in connection with LCH's work product except to the extent any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of the LCH engagement team in conducting its work.

9. CONCLUSION

Based on the above and subject to the general and inherent characteristics of the Subject Plant and Machinery, we considered that the amount quoted to Shenyang Yuanda for the supply of the Subject Plant and Machinery to be fair and reasonable as at the Relevant Date.

This valuation is subject to our standard General Assumptions and Limiting Conditions as shown in Section 8.

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

Rolando R. Arcaya *BSME, ASA*
Director

Mr. Rolando R. Arcaya is a mechanical engineer and a senior accredited appraiser (ASA designation) of the American Society of Appraisers in Machinery and Technical Specialties/ Machinery and Equipment. He has over 35 years plant and machinery valuation experience of which over 30 years were spent in Hong Kong and mainland China.

Contributing valuer:
TIAN Qi *Krystal B.Sc. M.Sc.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “Model Code”) were as follows:

(i). Interests in Shares, underlying Shares and debentures of the Company

Names of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Kang Baohua	Beneficial Owner	228,636,000 (L) ⁽¹⁾	3.68%
	Interest of controlled corporation	3,469,866,694 (L) ⁽¹⁾	55.89%
Liu Futao	Beneficial Owner	3,603,333 (L) ⁽¹⁾	0.06%
Wang Hao	Beneficial Owner	150,000 (L) ⁽¹⁾	0.01%
Zhang Lei	Beneficial Owner	3,000,000 (L) ⁽¹⁾	0.05%

Notes:

- (1) The letter “L” denotes long position in such securities.
- (2) Of the shares held by Mr. Kang Baohua, 2,582,971,923 Shares were held by Best Outlook Limited and 886,894,771 Shares were held by Neo Pioneer Limited, both companies of which are wholly-owned by Mr. Kang Baohua.

(ii). Interest in associated corporation

Name of Directors	Name of Associate Corporation	Number of Shares	Percentage of Shareholding
Kang Baohua	Best Outlook Limited	1 (L) ⁽¹⁾	100%
Kang Baohua	Neo Pioneer Limited	1 (L) ⁽¹⁾	100%

Note:

- (1) The letter “L” denotes long position in such securities.

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

(iii). Substantial shareholders’ interests and short position

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no other person or companies (other than the Directors or the chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Directors	Capacity	Number of Shares	Approximate Percentage of Shareholders
Best Outlook Limited ⁽¹⁾	Beneficial Owner	2,582,971,923 (L) ⁽²⁾	41.6%
Neo Pioneer Limited ⁽¹⁾	Beneficial Owner	886,894,771 (L) ⁽²⁾	14.28%

Notes:

- (1) Best Outlook Limited and Neo Pioneer Limited are companies incorporated in the BVI and are wholly-owned by Mr. Kang Baohua.
- (2) The letter “L” denotes long position in such securities.

3. DIRECTORS' INTEREST IN ASSETS AND CONTRACT

As at the Latest Practicable Date, none of the Directors of the Company had any direct or indirect interest in any asset which had been, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors of the Company was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

4. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

5. COMPETING BUSINESS INTEREST OF DIRECTOR

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. MATERIAL CONTRACT

During the two years immediately preceding the date of this circular, the following contract, not being contract entered into in the ordinary course of business, has been entered into by the Company and/or members of the Group and are or may be material:

On 7 August 2019, the Group entered into an agreement with local representatives in Foshan pursuant to which the Group surrendered one parcel of land in Foshan City for a compensation of RMB116,060,000. For future details, please refer to the announcement of the Company dated 7 August 2019.

7. LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, there were following litigation, arbitration or claim of material importance in which the Group was engaged or pending or threatened against the Group:

- (i). In December 2009, Shenyang Yuanda and Yuanda Aluminium Engineering (India) Private Limited ("**Yuanda India**"), both wholly-owned subsidiaries of the Group, jointly received a notice that they are being sued by a former sub-contractor in India in respect of Shenyang Yuanda's and Yuanda India's nonperformance of the terms as stipulated in the sub-contract agreement entered into between Shenyang

Yuanda and this former sub-contractor. Shenyang Yuanda has made a counterclaim against this sub-contractor for non-performance of the sub-contract agreement. On 30 September 2016, a first instance court judgment has been rendered in favour of Shenyang Yuanda and Yuanda India and pursuant to which the former sub-contractor shall pay to Shenyang Yuanda and Yuanda India damages in the amount of INR81.8 million (equivalent to approximately RMB7.7 million) plus accrued interest.

The former sub-contractor and Shenyang Yuanda and Yuanda India later on filed appeals and as at 30 June 2020, the lawsuit is under reviewed before the Hon'ble High Court of Delhi. If Shenyang Yuanda and Yuanda India are found to be liable, the total expected monetary compensation may amount to approximately INR1,410.8 million (equivalent to approximately RMB132.3 million) plus accrued interest. Shenyang Yuanda and Yuanda India deny any liability in respect of the appeal filed by the former sub-contractor and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Shenyang Yuanda and/or Yuanda India. No provision has therefore been made in respect of this claim.

- (ii). On 20 April 2016, LLC Yuanda Curtain Wall ("**Yuanda Russia**"), a wholly-owned subsidiary of the Group, initiated an arbitration proceeding against Rasen Stroy LLC ("**Rasen Stroy**"), a contractor of Yuanda Russia, in the arbitration tribunal in Moscow to demand payment of the outstanding construction payable of USD6.5 million (equivalent to approximately RMB46.0 million) and applied for a protection order in relation to letters of guarantee of USD7.6 million (equivalent to approximately RMB53.8 million) issued by Shenyang Yuanda to Rasen Stroy. Rasen Stroy filed a counterclaim against Yuanda Russia on 27 July 2016 claiming for USD37.4 million (equivalent to approximately RMB256.7 million). Shenyang Yuanda also sued Rasen Stroy in Intermediate People's Courts of Shenyang ("**Shenyang Court**") for the same incidence and requested China Construction Bank ("**CCB**", the counter guarantee bank) to stop payment of the deposits to Yapi ve kredi Bankasi A.S., Esentepe Corporate Banking Center Branch ("**Yapi Bank**", the trustee for the bank guarantee letter) in relation to letters of guarantee issued. On 25 April 2016, Shenyang Court ruled in favour of Shenyang Yuanda.

In respect of Yuanda Russia's claim, on 9 September 2016, the arbitration tribunal in Moscow ruled that Rasen Stroy shall make payment of an outstanding construction payable of USD2.8 million (equivalent to approximately RMB19.8 million) to Yuanda Russia and Yuanda Russia's application for a protection order in relation to the letters of guarantee was dismissed. In respect of Rasen Stroy's counterclaim, on 5 October 2016, the arbitration tribunal in Moscow ruled in favour of Rasen Stroy and that Yuanda Russia shall pay 50% of the amount Rasen Stroy claimed for, which is USD18.7 million (equivalent to approximately RMB132.4 million). Based on the above judgement, Yapi Bank made unilateral payment to Rasen Stroy of USD7.6 million (equivalent to approximately RMB53.8 million) under the letters of guarantee, and requested CCB to pay the same amount to Yapi Bank.

Yuanda Russia disagrees with the above ruling and filed an appeal against the ruling. The appeal by Yuanda Russia was dismissed by the relevant tribunal. Yuanda Russia filed a second appeal. On 2 May 2017, the arbitration tribunal in Moscow ruled in favour of Rasen Stroy and that the claimed amount Yuanda Russia is liable for was reduced to USD3.4 million (equivalent to approximately RMB24.1 million). In June 2017, Yuanda Russia and Rasen Stroy both filed further appeals. In August 2017, the arbitration tribunal in Moscow rejected both appeals. Meanwhile, Shenyang Yuanda sued Yapi Bank in Shenyang Court for the malicious payment of USD7.6 million (equivalent to approximately RMB53.8 million) to Rasen Stroy. On 11 April 2018, Shenyang Court ruled in favor of Shenyang Yuanda. Yapi Bank later on filed an appeal. The Supreme People's Court of Liaoning rejected Yapi Bank's appeal on 28 April 2019. Yapi Bank later on filed a second appeal. As at 30 June 2020, the lawsuit is under review by the Supreme People's Court in Beijing. If Shenyang Yuanda is found to be liable, the total compensation is estimated to be the deposits of USD7.6 million (equivalent to approximately RMB53.8 million).

As at 31 December 2019, Yuanda Russia continues to deny any liability in respect of Rasen Stroy's counterclaim and Shenyang Yuanda continues to deny the application of the deposits from Yapi Bank, and based on legal advice and taking into account of Yuanda Russia's financial position as at the end of the reporting period, the directors of the Company believe that it is not probable that the outcome of the lawsuits will be unfavourable to Shenyang Yuanda or Yuanda Russia. No provision has therefore been made in respect of claims by Rasen Story or Yapi Bank.

- (iii). In January 2018, Shenyang Yuanda sued a customer in Beijing Third Intermediate People's Court to demand payment of the outstanding construction payable of RMB48.1 million, later this customer filed a counterclaim against Shenyang Yuanda claiming for RMB102.9 million due to additional costs incurred for project delays and quality defects. As at 30 June 2020, the lawsuit is under review by the Beijing Third Intermediate People's Court. If Shenyang Yuanda is found to be liable, the total expected monetary compensation may amount to approximately RMB102.9 million. Shenyang Yuanda continues to deny any liability in respect of the counterclaim and, based on legal advice, the directors of the Company do not believe it is probable that the court will find against Shenyang Yuanda. No provision had therefore been made in respect of this claim.

8. MATERIAL ADVERSE CHANGE

Save for the interim report of the Company for the six months ended 30 June 2020 where the Group has reported a loss attributable to shareholders for the six months ended 30 June 2020 of approximately RMB246.5 million (for the six months ended 30 June 2019: about RMB59.7 million), representing an increase of about RMB186.8 million or 312.7% as compared to the same period in 2019, the Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Company were made up.

9. EXPERT'S QUALIFICATIONS AND CONSENTS

Each of the experts below has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference (as the case may be) and references to its name in the form and context in which it appears.

The following is the qualification of the expert or professional adviser who has given its opinion or advice contained in this circular:

Name	Qualification
Donvex Capital	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
LCH (Asia-Pacific) Surveyors Limited	An independent professional valuer

As at the Latest Practicable Date, each experts above did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, disposed of by, or leased to any member of the Group, since 31 December 2019, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit E 14/F, Hang Seng Tsuen Wan Building, 289 Sha Tsui Road, Tsuen Wan, Hong Kong during normal business hours on any business days from the date of this circular up to and including the date of the EGM:

- (a) the Automatic Production And Intelligent Storage Facilities Agreement;
- (b) the Technical Service Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 27 of this circular;
- (e) the consent letter referred to in the section headed "Expert's Qualifications and Consents" in this appendix;
- (f) the valuation report by the Valuer, the text of which set out in Appendix I to this circular; and
- (g) a copy of this circular.

NOTICE OF EGM



CNYD

Yuanda China Holdings Limited

遠大中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2789)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Yuanda China Holdings Limited (the “Company”) will be held at Conference Room 310, Block C, No. 20, 13th Street, Shenyang Economic and Technological Development District, Shenyang, China on Thursday, 10 December 2020 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the agreement dated 30 September 2020 (the “**Automatic Production And Intelligent Storage Facilities Agreement**”) between Shenyang Yuanda and Yuanda Robot pursuant to which Yuanda Robot will sell automatic production and intelligent storage facilities and supplying software development and design services to Shenyang Yuanda; and
- (b) any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Automatic Production And Intelligent Storage Facilities Agreement.”

NOTICE OF EGM

2. “**THAT**

- (a) the agreement dated 30 September 2020 (the “**Technical Service Agreement**”) between Shenyang Yuanda and Yuanda Robot pursuant to which Yuanda Robot will provide Shenyang Yuanda with automation upgrade and lean production technical solutions for the whole production process; and
- (b) any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Technical Service Agreement.”

Yours By order of the Board of
YUANDA CHINA HOLDINGS LIMITED
Liu Futao
Executive Director

The PRC, 20 November 2020

Notes:

- 1. Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of such member in accordance with the articles of association of the Company. A proxy need not be a member of the Company.
- 2. The register of members will be closed from Monday, 7 December 2020 to Thursday, 10 December 2020 (both days inclusive), during which period no share transfers will be registered. In order to qualify to attend and vote at the EGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 4 December 2020.
- 3. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
- 4. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be completed and deposited with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.
- 5. In the case of joint holders of a share, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders is present at the above meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

As at the date of this notice, the executive Directors are Mr. Kang Baohua, Mr. Liu Futao, Mr. Ma Minghui, Mr. Wang Hao, Mr. Zhao Zhongqiu and Mr. Zhang Lei and the independent non-executive Directors are Mr. Poon Chiu Kwok, Mr. Woo Kar Tung, Raymond and Mr. Pang Chung Fai, Benny.