THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

TESSON HOLDINGS LIMITED
天臣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1201)

PAST MAJOR TRANSACTION IN RELATION TO CAPITAL CONTRIBUTION TO THE TARGET COMPANY

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on page 4 to 16 of this circular. The Capital Contribution has been approved by written shareholder's approval obtained from Double Key International Limited, pursuant to Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company. This circular is being despatched to the Shareholder for information only.

24 September 2019

CONTENTS

DEFINITIONS

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

"Announcement"	the announcement of the Company dated 4 April 2019 regarding a past major transaction in relation to Capital Contribution to the Target Company;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Business Day"	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong;
"Capital Contribution"	the capital contribution of cash by Nanjing Investment to the Target Company pursuant to the Capital Increase Agreement;
"Capital Increase Agreement"	the capital increase agreement dated 26 October 2018 entered into among Nanjing Investment, Shenzhen Culture and the Target Company;
"Company"	Tesson Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1201);
"Completion"	Completion of the Capital Contribution;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	director(s) of the Company;
"Enlarged Group"	the Group and the Target Company after Completion;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Independent Third Parties"	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates, and the term "Independent Third Party" shall be construed accordingly;
"Land Plot I"	a parcel of industrial land with a site area of 228,782.45 sq.m. located in Lishui District;
"Land Plot II"	a parcel of mixed commercial and residential land with a site area of 104,600.43 sq.m. located in Lishui District. Land use right grant of Land Plot II is conditioned upon successful bidding of Land Plot I;
"Latest Practicable Date"	18 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
"Lishui District"	Lishui District, Nanjing City, Jiangsu Province, the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Lithium Ion Motive Battery Business"	one of the Group's principal business activities, which is the manufacturing and sale of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sale of relevant equipment, investments holding and import and export trading;
"Nanjing Investment"	Nanjing Rongzhou Cultural Industry Investment Company Limited*（南京容州文化產業投資有限公司）, a company incorporated in PRC with limited liability;
"PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular;
"Property and Cultural Business"	one of the Group's business segments, which is property development business, as well as the cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering;

"RMB"	Renminbi, the lawful currency of PRC;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Shenzhen Culture"	Shenzhen Rongzhou Cultural Industry Investment Company Limited*(深圳市容州文化產業投資有限公司), a company incorporated in the PRC with limited liability;
"sq.m."	square meters;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"Target Company"	Nanchang Rongzhou Investment Company Limited*(南昌市容州投資有限公司), a company incorporated in the PRC with limited liability;
"US$"	United States dollars, the lawful currency of the United States; and
"%"	per cent.

* *for identification purpose only*

TESSON HOLDINGS LIMITED
天 臣 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock code: 1201)

Executive Directors:
Mr. Tin Kong *(Chairman)*
Ms. Cheng Hung Mui
Mr. Chen Dekun
Mr. Sheng Siguang

Independent non-executive Directors:
Dr. Ng Ka Wing
Mr. See Tak Wah
Mr. Wang Jinlin

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 1007
Tsim Sha Tsui Centre
West Wing
66 Mody Road
Tsim Sha Tsui
Kowloon
Hong Kong

24 September 2019

To the Shareholders

Dear Sir or Madam,

PAST MAJOR TRANSACTION IN RELATION TO CAPITAL CONTRIBUTION TO THE TARGET COMPANY

INTRODUCTION

Reference is made to the Announcement regarding a past major transaction in relation to Capital Contribution to the Target Company. As disclosed in the Announcement, Nanjing Investment, an indirect non-wholly owned subsidiary of the Company, entered into the Capital Increase Agreement with Shenzhen Culture and the Target Company on 26 October 2018, pursuant to which Nanjing Investment has agreed to make a Capital Contribution of RMB20,000,000 to the Target Company. Following the completion of the Capital Contribution, the registered capital of the Target Company has been increased from RMB10,000,000 to RMB30,000,000; and Nanjing Investment became interested in 66.67% of the equity interest in the Target Company.

The purpose of this circular is to provide you with, among other things, further details of the Capital Contribution and other information as required to be disclosed under the Listing Rules.

CAPITAL INCREASE AGREEMENT

Date:

26 October 2018

Parties involved:

(i) Nanjing Investment;

(ii) Shenzhen Culture; and

(iii) the Target Company.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Target Company, Shenzhen Culture, together with their respective ultimate beneficial owners were Independent Third Parties at the time when the Capital Increase Agreement was entered into.

Following the completion of the Capital Contribution, Nanjing Investment became interested in 66.67% of the equity interest in the Target Company, and Shenzhen Culture became interested in 33.33% of the equity interest in the Target Company. Accordingly, following the completion of the Capital Contribution, the Target Company became subsidiary of the Company, and Shenzhen Culture and its ultimate beneficial owners became connected persons of the Company at the subsidiary level.

Subject matter

Pursuant to the Capital Increase Agreement, Nanjing Investment agreed to make a Capital Contribution of RMB20,000,000 to the Target Company. As at the Latest Practicable Date, the Company has completed the funding of the Capital Contribution through its internal resources and the registered capital of the Target Company has been increased from RMB10,000,000 to RMB30,000,000.

There is no restriction on Nanjing Investment with respect to any subsequent sale of its equity interest in the Target Company.

Basis of determination of the consideration

The amount of the Capital Contribution was determined after arm's length negotiations with Shenzhen Culture and the Target Company, with reference to (i) the appraised net asset value of the Target Company was approximately RMB30,971,800 (equivalent to approximately HK$35,261,000) as at 30 June 2018 as stated in a valuation report of the Target Company issued by an independent valuer dated 20 October 2018. The valuation was determined using the asset-based approach; and (ii) the prospects of the property market in Nanchang, Jiangxi.

According to the Capital Increase Agreement, the Company contributed approximately RMB20,000,000 in exchange for an approximately 66.67% stake in the Target Company. Based on the appraised net asset value of approximately RMB30,971,800, the consideration represented a discount of approximately 3.14% to the equity interest purchased.

The PRC government had outlined that property development in the future should be for living instead of for speculation purpose, and emphasised the importance of establishing a housing system with multi-agent supply, multi-channel protection, and combination of leasing and purchase, aiming to develop a comprehensive housing system in the long run. The provincial government in Jiangxi had put the blueprint into action and real estate market in Jiangxi province had grown steadily. According to the Booming Real Estate Industry in Jiangxi Province – 13th Series of Reports on the Achievements of the Economic and Social Development in Jiangxi in the 40 Years of Reform and Opening Up* (《江西房地產業蓬勃發展–改革開放40年江西經濟社會發展成就系列報告之十三》) issued by the Fixed Assets Investment Statistics Department of the Jiangxi Provincial Bureau of Statistics* (江西省統計局固定資產投資統計處) on 16 October 2018, comparing 2000 and 2017, revenue from sales of residential properties of the property developers in Jiangxi province had increased by 77.2 times and reached RMB219 billion, and investment amount reached RMB201 billion, a historical peak. Throughout January to October 2018, revenue from sales of residential properties in the central region of the PRC where Jiangxi province was located, had increased by 21.1% compared to the same period in 2017 as per the National Real Estate Development Investment and Sales from January to October 2018* (《2018年1-10月份全國房地產開發投資和銷售情況》) issued by the National Bureau of Statistics* (國家統計局), representing the second highest growth rate among the four regions in the PRC. Under the combined effect of national policy regulation and market demand, the selling price of newly built residential units in Nanchang continued to increase since the year 2015, which had been increased by 24.7% compared to that in April 2018, in accordance to the Changes in the Sales Price of Commercial Housing in 70 Large and Medium-sized Cities (the "Changes in the Sales Price") in April 2018* (《2018年4月份70個大中城市商品住宅銷售價格變動情況》) issued by the National Bureau of Statistics.

In the future, Nanchang city, as the provincial capital of Jiangxi province, is expected to be further developed as the core of the central region. Based on the Sixth Meeting of the Fourteenth Session of the Jiangxi Provincial Party Committee held on July 2018, "one-ring lead, two-axis drive, three-zone synergy", will be the development target for Nanchang city, setting Nanchang city as the core, Lujiang new district as the engine, Jiujiang and Fuzhou as the foothold, in order to further connect the neighboring cities to create a great Nanchang metropolitan area. With reference to the Changes in Sales Price issued by the National Bureau of Statistics, the average selling price of newly built residential units in Nanchang in June 2019 had increased by approximately 9.2% and 39.1% as compared to that of in June 2018 and in June 2015 respectively. In view of the current performance of the property market and the development blueprint of Nanchang city, the Group believes that the real estate market of Nanchang will continue to grow steadily under the PRC government's macro-control policies.

In view of the above, we believe the Capital Contribution is fair and reasonable and in the interest of the Company and its shareholders as a whole.

GENERAL INFORMATION OF THE GROUP AND THE TARGET COMPANY

General information of the Group

The Group principally engaged in the Lithium Ion Motive Battery Business and the Property and Cultural Business.

General information of the Target Company

The Target Company was established under the laws of the PRC with limited liability on 3 September 2010 with a registered capital of RMB10,000,000. Prior to the completion of the Capital Contribution, the Target Company was owned as to 100% by Shenzhen Culture. Following the completion of the Capital Contribution, Nanjing Investment became interested in 66.67% of the equity interest of the Target Company, and the Target Company became a subsidiary of the Company. The Target Company is principally engaged in investment, development, and management of property in Nanchang, Jiangxi. The Target Company is developing a residential property project in Nanchang, Jiangxi, namely Rongzhou Gangjiucheng* (容州港九城), with a gross floor area of 373,739.53 sq.m..

Financial information for the Target Company

Set out below is audited financial information of the Target Company for the three years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 prepared in accordance to the Company's accounting policy and standard:

	Five months ended 31 May 2019	**Year ended 31 December 2018**	**2017**	**2016**
	(audited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	286,478	275,001	–	–
Net profit/(loss) before tax	100,030	92,842	(19,067)	(18,564)
Net profit/(loss) after tax	75,022	66,117	(19,067)	(18,564)

As at 31 May 2019, the net liabilities of the Target Company was approximately HK$431,631,000. As at 30 June 2018, taking into account the valuation of the property project of the Target Company with deferred tax adjustment, its net liabilities value was approximately HK$345,700,000. As at the Latest Practicable Date, the financial results of the Target Company have been consolidated into the accounts of the Group.

Reconciliation on the appraised net asset value of the Target Company and the above mentioned net liabilities value was demonstrated as follows:

	HK$'000
Appraised net asset value as at 30 June 2018	35,261
Less: valuation surplus	(80,613)
Net liabilities as at 30 June 2018 before accounting alignment adjustments	(45,352)
Reversal of results of the undelivered properties	(4,050)
Reclassification of amount due from the shareholder which was previously set off against contract liabilities to other reserve	(556,990)
Fair value adjustments on:	
Properties for sale under development	342,529
Deferred tax liabilities	(85,632)
Exchange realignment	3,795
Adjusted fair value of identifiable net liabilities as at 30 June 2018 in accordance with the Company's accounting policy and standard	(345,700)

According to the announcement dated 26 October 2018, the net liabilities of the Target Company was approximately RMB39,835,000 which was equivalent to approximately HK$45,352,000, the difference was mainly attributable to the combined effect of accounting on contract liabilities arising from presale of properties and the set off of an amount due from the Target Company's shareholder of RMB500,000,000. During the preparation of the Company's annual consolidated audited accounts, it was uncovered that prior to the execution of the Capital Increase Agreement, an amount due from the Target Company's shareholder of RMB500,000,000 was set off against the receipt in advance under its sale of property. In addition, certain sales and associated taxes were recognised in the first half of 2018 while the underlying properties were only delivered between November and December 2018. As a result of such arrangement, the Target Company's total assets and properties for sale under development was understated. Such practices were inconsistent with the accounting practice of the Company. To align the accounting policies of the Target Company's with the Group's, such set off and financial results related to the undelivered properties were reversed. Meanwhile approximately HK$556,990,000 was included in other reserve as deemed distribution of the Target Company which was approved by a shareholders' resolution of the Target Company in June 2018, the amount was not recoverable, and approximately HK$569,250,000 was included in the statement of financial position as amount due from the shareholder.

Description of the property project

Details of the property project are listed below:

Location:	South of 320 National Highway and East of Chuangye Middle Avenue (which is both sides of Wuhuazhong Road), Wangcheng New District, Xinjian District, Nanchang City, Jiangxi Province, PRC* (中國江西省南昌市新建區望城新區320國道南面創業中大道東側(即物華中路兩側))
Total land area:	99,793.33 sq.m.
Total planned gross floor area:	373,739.53 sq.m.
Term of land use rights:	70 years for residential use and 40 years for commercial use
Land premium:	RMB44,306,590

Rongzhou Gangjiucheng*（容州港九城）consisted of two phases where (i) phase I comprised various retail and residential units and car parking spaces, delivery of certain properties began in December 2018 and the remaining properties had basically been delivered as at the date of this circular, there was also a kindergarten which was accounted for as an investment property; and (ii) phase II consisted of various retail and residential units, car parking spaces and offices, which are under development as at the date of this circular, and scheduled for completion and delivery between 2019 and 2021 in phases.

As of the date of this circular, relevant title certificate for the kindergarten property has not been obtained. According to the Company's legal adviser, it is possible that the kindergarten property will be repurchased or repossessed by the local government. Shall the kindergarten property be repossessed, the estimated loss of yearly rental income would be approximately from RMB655,836 to RMB1,017,420, depending on time of repossession, and would account for less than 1% of the total revenue of the Target Company in 2018. The Target Company would also incur a maximum loss on transfer of investment property of HK$9,610,000 and the total asset of the Target Company would also be reduced. For schedule of rental rates, please refer to Page V-13 of this circular.

Currently, the Board comprises directors with different backgrounds and solid experience in business operation. The Board believes that its business experience is applicable to the property development business. The Board will be responsible for overall strategic planning and risk control, and direct future development of the Target Company, as well as the property development segment of the Group. For its technical management, the Target Company consisted of a professional and experienced team to plan, perform and monitor the construction of the property project, and an experienced sales team to established and implement comprehensive sales strategy. The Group is confident in their technical abilities, as well as their contribution in monitoring the construction progress of the production bases of the Group's Lithium Ion Motive Batty Business.

Details of the professional team were as follows:

Mr. Zhong Dong Feng ("Mr. Zhong"), aged 50, has been employed as the deputy chief executive officer of the Group since May 2018, and is fully responsible for operations of the Property and Cultural Business. Mr. Zhong graduated from the Jiangxi University of Science and Technology (formerly known as Southern Institute of Metallurgy) in July 1991, and has professional qualification of Project Cost Management. Prior to joining the Group, Mr. Zhong had served as the head of different departments of Jiangxi Provincial Government. He has over 27 years of experience in provincial development and operations management.

Mr. Yang Ai Ping ("Mr. Yang"), aged 46, is the deputy general manager of the Target Company, responsible for management and operation of the Property and Cultural Business. Mr. Yang graduated from the Suzhou Institute of Environmental Protection for Urban Construction*（蘇州城市建設環境保護學院）which was merged with Suzhou Railway Teachers College*（蘇州鐵道師範學院）and became Suzhou University of Science and Technology, and has obtained professional qualification of Industrial and Civil Buildings in 1994. He has over 18 years of experience in project management, participating numerous industrial, and residential and commercial complex building projects including the Rongzhou Hotel Commercial Street*（容州賓館商業街）in Gaungxi.

Mr. Wei Guo Qiang ("Mr. Wei"), aged 45, is the deputy general manager of the Target Company, responsible for marketing and sales of the property project. Mr. Wei graduated from Nanchang University in 1997, and has over 21 years of experience in corporate management, strategic planning, in particular of the real estate enterprises in the PRC, participating marketing and strategic operations of various commercial and residential projects including Boneng Bairuiqi*（博能佰瑞琪）in Nanchang, Jingdezhen China*（景德鎮China印象）in Jiangxi, and Nanyang Yipin International Garden*（南陽一品國際花園）in Henan.

Mr. Luo Shi Bao ("Mr. Luo"), aged 47, is the chief engineer of the Target Company, responsible for the technical operation and management of the property project. Mr. Luo graduated from Jiaozuo Mining Institute*（焦作礦業學院）which was named Henan Polytechnic University since 2004, and has obtained professional qualification of senior engineer and grade 1 constructor. He has over 24 years of experience in construction and engineering, participating numerous industrial building projects including the power plant in Nanchang, and various residential projects which included Taihua Haoyuan*（泰華豪園）in Shenzhen and Kaimei Yihe*（凱美怡和）in Nanchang.

Mr. Xiao Xing Wang ("Mr. Xiao"), aged 39, is the manager of the engineering department, responsible for the technical operation and management of the property project under supervision. Mr. Xiao graduated from Nanchang University in 2009, and has obtained professional qualification of grade 1 constructor. He has over 16 years of experience in construction and engineering, participating numerous commercial and residential projects including Shiji Fengqing*(世紀風情), Shiji Xinchen Centre*(世紀新宸中心), and Shiji Building*(世紀大廈) in Nanchang.

Information about Shenzhen Culture

Shenzhen Culture is a company incorporated under the laws of PRC with limited liability and principally engaged in investment holding. Its ultimate shareholders and their corresponding interests are Mr. Chou Dehe (55%), Mr. Li Hanchao (15%), Mr. Li Hanrong (15%), and Mr. Li Yujun (15%), respectively. As at the Latest Practicable Date, Mr. Li Yujun also holds the entire issued share capital of Lankai Limited which holds 8.36% of the issued share capital of the Company.

FINANCIAL EFFECT OF CAPITAL CONTRIBUTION TO THE TARGET COMPANY

Following the Completion, the Target Company has become an indirect non wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of the Target Company have been consolidated into the consolidated financial statements of the Group. The impact of the Capital Contribution to the Target Company on the Company's earnings, assets and liabilities is as follows:

Earnings

Following the Completion, the financial results of the Target Company had been included into the consolidated financial statements of the Group. As detailed in Appendix II of this circular, the Target Company's profit for the year ended 31 December 2018 was approximately HK$66,117,000, taking into consideration consolidation adjustments, profit of approximately HK$12,576,000 was contributed to the Group.

Assets and liabilities

As at 31 December 2018, the Group's total assets increased by approximately HK$1,627,399,000. Total liabilities of the Group increased by approximately HK$2,133,635,000. Net assets of the Group decreased by approximately HK$506,236,000.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The Board expects that the Capital Contribution will enable the Group to engage in the property development industries which is relevant to the Group's expansion strategy in terms of (i) increasing the production capacity for its Lithium Ion Motive Battery Business through the construction of production plants and facilities located in Lishui District which comprises (a) the factory for battery, battery pack, and battery management system productions; (b) the research and development building to undertake research and development, testing and trial production; (c) the headquarters; and (d) other ancillary facilities; and (ii) catering to the housing needs of its staff and potential purchasers in the local market by the planned residential and commercial complex, which the majority of the residential units will be sold to the Group's staff, who will work in the production base in Lishui District (please refer to the circular of the Company dated 5 December 2018 for further details). By entering into the Capital Increase Agreement, the Group can utilise the skills, experience, expertise and business connections in construction, engineering and property development acquired in developing Rongzhou Gangjiucheng*（容州港九城）in the Lishui District in which the Group has a presence. As the production base in Lishui District is the key developing project for the Lithium Ion Motive Battery Business which also contribute an access to the local property market, the Board believes that the expertise in construction contributed by the Target Company will foster better control over the progress and cost of the construction of both the production base and the residential and commercial complex in Lishui District. Together with the future prospect of the property market in Nanchang, Jiangxi, the Board is of the view that the benefits of the Capital Contribution will outweigh the effects of the net liabilities position of the Target Company. Meanwhile, the Board believes that the Capital Contribution allows the Group to diversify its income streams and broaden its revenue base with a view to generate higher investment returns after pre-sales and sales of the residential units of Rongzhou Gangjiucheng*（容州港九城）have substantially been materialised.

In view of the above, the Directors consider that the terms of the Capital Increase Agreement and the Capital Contribution are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

Percentage ratios prior to annual accounts review

Based on the unaudited financial information provided by the Target Company and Shenzhen Culture for the purpose of the Capital Contribution at the material time, only the assets ratio (as defined under the Listing Rules) in respect of the Capital Contribution was more than 5% but less than 25%, while the other applicable percentage ratios were less than 5%. Accordingly, the Company only announced the Capital Contribution as a discloseable transaction on 26 October 2018 under Chapter 14 of the Listing Rules and did not comply with the disclosure and approval requirements for major transactions under Chapter 14 of the Listing Rules.

Percentage ratios after annual accounts review

During the preparation of the Company's annual consolidated audited accounts, it was uncovered that prior to the execution of the Capital Increase Agreement, an amount due from the Target Company's shareholder of RMB500,000,000 was set off against the receipt in advance under its sale of property. In addition, certain sales and associated taxes were recognised in the first half of 2018 while the underlying properties were only delivered between November and December 2018. As a result of such arrangement, the Target Company's total assets and properties for sale under development was understated. Such practices were inconsistent with the accounting practice of the Company. To align the accounting policies of the Target Company's and the Group's, such set off and financial results related to the undelivered properties were reversed, meanwhile approximately HK$556,990,000 was included in other reserve as deemed distribution of the Target Company which was approved by a shareholders' resolution of the Target Company in June 2018, the amount was not recoverable, and approximately HK$569,250,000 was included as amount due from a shareholder in the statement of financial position. As a result, values of properties for sale under development, current tax assets, and contract liabilities increased. The alignment adjustments were demonstrated as follows:

	Profit before tax	**Total assets**	**Net assets/(net liabilities)**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax for the period ended/total assets/net liabilities as at 30 June 2018 before accounting alignment adjustments	12	477,265	(45,352)
Reversal of results of the undelivered properties	(4,050)	282,397	(4,050)
Reclassification of amount due from the shareholder which was previously set off against contract liabilities to other reserve	–	–	(556,990)
Reclassification of amount due from the shareholders which was previous by set off against contract liabilities to amount due from the shareholder	–	569,250	–
Adjusted profit before tax for the period/ total assets/net liabilities as at 30 June 2018 after accounting alignment adjustments as abovementioned	(4,038)	1,328,912	(606,392)

Based on the adjusted total assets of the Target Company, the assets ratio (as defined under Rule 14.04(9) of the Listing Rules) exceeded 25% but was less than 100%, while the other applicable percentage ratios remained at less than 5%, the Capital Contribution should have constituted a major transaction of the Company. Accordingly, the Company should have sent a circular containing further details of the Capital Contribution to its Shareholders in accordance with Rule 14.38A of the Listing Rules; and the Capital Contribution should have been subject to the approval of the Shareholders under the Listing Rules. However, at the material time, the Company did not comply with such requirements due to the understatement of total assets of the Target Company as mentioned above, which was unintentional on the part of the Company.

So far as the Company is aware, Mr. Li Yujun, being the shareholder of Shenzhen Culture and the Company, has material interests in the transaction contemplated under the Capital Increase Agreement, and is required to abstain from voting if the Company were to convene a general meeting for approving the Capital Injection. Other than Mr. Li Yujun, no Shareholder is interested in the Capital Contribution and is required to abstain from voting at a general meeting of the Company for approving the Capital Contribution. The Company has obtained a written confirmation from the controlling Shareholder, Double Key International Limited, which holds 785,887,533 Shares, representing approximately 65.68% of the issued share capital of the Company as at the Latest Practicable Date, confirming that it has approved, confirmed and ratified the Capital Contribution. The entire issued share capital of Double Key International Limited is wholly owned by Ms. Cheng Hung Mui, an executive Director of the Company.

REMEDIAL ACTIONS

As of the date of this circular, the Group had organized training by professional advisors on the Directors' duties under the Listing Rules and provisions of the Listing Rules regarding notifiable transactions to the directors, company secretary, senior management and accounting personnel of the Company which completed in mid-June. The Group had also notified its management personnel as well as staff of the Target Company in writing about identifying accounting discrepancies and on the difference in accounting standards and practices between Hong Kong and the PRC. The communication emphasized that when in doubt, officers responsible for the transaction should consult with professional advisors, if necessary, before entering into the transactions and fulfill all necessary obligations in relation to a notifiable transaction.

GENERAL

In view of the above, the Directors consider that the terms of the Capital Increase Agreement and the Capital Contribution are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares and other securities of the Company.

ADDITIONAL INFORMATION

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

By order of the Board
Tesson Holdings Limited
Tin Kong
Chairman

1. CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Company for each of the financial years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and of the Company (http://www.tessonholdings.com):

a. the interim results announcement of the Company for the six months ended 30 June 2019 published on 30 August 2019:

   https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0830/ltn201908301042.pdf

b. annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 45 to 135):

   http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0429/LTN201904291256.pdf

c. annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 44 to 118):

   http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN20180427550.pdf

d. annual report of the Company for the year ended 31 December 2016 published on 25 April 2017 (pages 44 to 104):

   http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0425/LTN20170425597.pdf

2. INDEBTEDNESS

As at the close of business on 31 August 2019, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following liabilities:

(a) Borrowings

The Group had outstanding (i) secured borrowings of approximately HK$175,280,000; (ii) amount due to the controlling Shareholder of approximately HK$50,777,000; and (iii) carrying amount of convertible bonds of approximately HK$43,999,000.

(b) Contingent liabilities

The Group did not have any significant contingent liabilities.

(c) Pledge of assets

Bank borrowings amounting to approximately HK$175,280,000 were secured by a parcel of land held by the Group located in Nanning, Guangxi with carrying value of approximately HK$94,189,000.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 31 August 2019, the Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that after taking into account the Group's internal resources, the effect of the Capital Contribution and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

In view of the adverse business macroeconomic environment of the Group's operation in 2018, the Group has evaluated its business strategy. Following such evaluation, the Group will (a) not only continue to cooperate with its existing strategic partners, but also seek cooperation with electric vehicle manufacturers who manufacture special-purpose vehicles and low-speed vehicles; and (b) develop high-end tool batteries to increase gross margin.

Reference is made to the Company's announcement dated 11 March 2019. In order to meet its long term development needs of the Lithium Ion Motive Battery Business, the Group will continue to construct its phase III production base in Weinan, Shaanxi, and develop its battery plant in Nanjing, Jiangsu, which will primarily be developed into a production base and research institute of battery products.

Regarding the Property and Cultural Business, the Group will focus in the development of its existing projects located in (a) Nanning, Guangxi; (b) Nanjing, Jiangsu; and (c) the project owned by the Target Company. Besides, the Group will carry out certain cultural projects which are the key cultural development projects of the regions in the PRC. It is estimated that these projects will bring profits to the cultural business and will enhance awareness of the Group's brand in this space.

The Group expects, with cautious optimism, that the business environment in which the Group operates will improve in the future as and when the PRC government implements market stimulus measures. Together with the expected financial support from the local government, the Group kept optimistic attitude towards business growth, and will continue to develop its Lithium Ion Motive Battery Business in the future.

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

中匯安達會計師事務所有限公司
ZHONGHUI ANDA CPA LIMITED

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TESSON HOLDINGS LIMITED

The Board of Directors
Tesson Holdings Limited

Introduction

We report on the historical financial information of Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）(the "Target Company") set out on pages II-4 to II-44, which comprises the statements of financial position of the Target Company as at 31 December 2016, 2017, 2018 and 31 May 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Tesson Holdings Limited (the "Company") dated 24 September 2019 in connection with the capital contribution to the Target Company (the "Capital Contribution").

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2016, 2017, 2018 and 31 May 2019 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the Historical Financial Information which mentions that the Target Company had net current liabilities and net liabilities of HK$441,602,000 and HK$431,631,000 respectively as at 31 May 2019. These conditions indicate a material uncertainty which may cast significant doubt on the Target Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
PANG HON CHUNG
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 24 September 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Target Company was incorporated in the PRC with limited liability on 3 September 2010 and engaged in investment, development, and management of property in Nanchang, Jiangxi.

The Target company has adopted 31 December as the financial year end date.

The statutory financial statements of the Target Company for the each of the three years ended 31 December 2016, 2017 and 2018 has been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Jiangxi Pingan CPA Ltd. registered in the PRC.

The directors of the Target Company have prepared the financial statements for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Five months ended 31 May		Year ended 31 December		
		2019	2018	2018	2017	2016
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)			
Revenue	*8*	286,478	–	275,001	–	–
Cost of sales		(181,747)	–	(166,460)	–	–
Gross profit		104,731	–	108,541	–	–
Other income	*9*	220	188	547	480	78
Distribution and selling expenses		(3,279)	(3,948)	(9,643)	(14,906)	(12,955)
Administrative expenses		(1,642)	(2,749)	(6,603)	(4,641)	(5,687)
Profit/(loss) before tax		100,030	(6,509)	92,842	(19,067)	(18,564)
Income tax	*10*	(25,008)	–	(26,725)	–	–
Profit/(loss)for the year/period		75,022	(6,509)	66,117	(19,067)	(18,564)
Other comprehensive income/(expenses):						
Item that may be reclassified to profit or loss:						
Exchange differences on translation from functional currency to presentation currency		(417)	(11,721)	30,340	(25,801)	1,928
Total comprehensive income/ (expenses) for the year/ period		74,605	(18,230)	96,457	(44,868)	(16,636)

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 May 2019 HK$'000	At 31 December 2018 HK$'000	2017 HK$'000	2016 HK$'000
Non-current assets					
Property, plant and equipment	13	388	508	922	739
Investment property		9,583	9,610	–	–
		9,971	10,118	922	739
Current assets					
Properties for sale under development	14	570,023	709,535	612,461	364,106
Other receivables, deposits and prepayments	15	97,376	120,620	114,017	25,997
Current tax assets		24,021	48,578	48,935	15,238
Amount due from the immediate holding company	16	215,985	121,187	–	–
Amount due from a shareholder	17	443,960	569,250	108,507	64,541
Restricted bank deposits	18	38,420	38,525	2,208	1,596
Bank and cash balances	18	9,653	9,586	42,979	19,322
		1,399,438	1,617,281	929,107	490,800
Current liabilities					
Trade and other payables	19	33,804	48,484	21,228	26,001
Contract liabilities	20	1,733,435	2,011,149	1,534,065	488,944
Amounts due to the intermediate holding companies	21	73,801	74,002	–	–
		1,841,040	2,133,635	1,555,293	514,945
Net current liabilities		(441,602)	(516,354)	(626,186)	(24,145)
NET LIABILITIES		(431,631)	(506,236)	(625,264)	(23,406)
Capital and reserves					
Registered capital	22	33,741	33,741	11,170	11,170
Reserves		(465,372)	(539,977)	(636,434)	(34,576)
DEFICIENCY IN EQUITY		(431,631)	(506,236)	(625,264)	(23,406)

STATEMENTS OF CHANGES IN EQUITY

	Registered capital	Other reserve	Foreign currency translation reserve	(Accumulated losses)/ retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	11,170	–	–	(17,940)	(6,770)
Total comprehensive expenses for the year	–	–	1,928	(18,564)	(16,636)
At 31 December 2016 and 1 January 2017	11,170	–	1,928	(36,504)	(23,406)
Total comprehensive expenses for the year	–	–	(25,801)	(19,067)	(44,868)
Deemed distribution	–	(556,990)	–	–	(556,990)
At 31 December 2017 and 1 January 2018	11,170	(556,990)	(23,873)	(55,571)	(625,264)
Issuance of shares	22,571	–	–	–	22,571
Total comprehensive income for the year	–	–	30,340	66,117	96,457
At 31 December 2018 and 1 January 2019	33,741	(556,990)	6,467	10,546	(506,236)
Total comprehensive income for the period	–	–	(417)	75,022	74,605
At 31 May 2019	33,741	(556,990)	6,050	85,568	(431,631)
At 31 December 2017 and 1 January 2018	11,170	(556,990)	(23,873)	(55,571)	(625,264)
Total comprehensive expenses for the period (unaudited)	–	–	(11,721)	(6,509)	(18,230)
At 31 May 2018 (unaudited)	11,170	(556,990)	(35,594)	(62,080)	(643,494)

STATEMENTS OF CASH FLOWS

	Five months ended 31 May		Year ended 31 December		
	2019	2018	2018	2017	2016
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities					
Profit/(loss) before tax	100,030	(6,509)	92,842	(19,067)	(18,564)
Adjustments for:					
Interest income	(38)	(188)	(306)	(397)	(78)
Depreciation	121	213	413	471	372
Gain on disposal of property, plant and equipment	–	–	(56)	(83)	–
Operating cash flows before working capital changes	100,113	(6,484)	92,893	(19,076)	(18,270)
Change in properties for sale under development	140,863	(53,128)	(144,152)	(212,059)	(259,124)
Change in other receivables, deposits and prepayments	23,463	9,012	(13,056)	(82,639)	72,130
Change in trade and other payables	(14,892)	(22,195)	29,485	(6,463)	(29,085)
Change in contract liabilities	(278,736)	375,829	579,232	967,878	507,901
Cash (used in)/generated from operations	(29,189)	303,034	544,402	647,641	273,552
Interest received	38	188	306	397	78
Tax paid	–	(24,265)	(27,642)	(31,245)	(11,750)
Net cash (used in)/generated from operating activities	(29,151)	278,957	517,066	616,793	261,880

	Five months ended 31 May		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from investing activities					
Purchase of property, plant and equipment	–	(12)	(38)	(626)	(414)
Proceeds from disposal of property, plant and equipment	–	–	63	92	–
Change in restricted bank deposits	–	(39,623)	(37,872)	(471)	(1,667)
Net cash used in investing activities	–	(39,635)	(37,847)	(1,005)	(2,081)
Cash flows from financing activities					
Amount received from a shareholder	29,876	–	637,428	44,972	96,769
Amount paid to a shareholder	–	(269,927)	(1,122,277)	(639,497)	(336,094)
Change in amount due from the immediate holding company	(582)	–	(125,978)	–	–
Change in amounts due to the intermediate holding companies	–	–	76,928	–	–
Capital injection from the immediate holding company	–	–	22,571	–	–
Net cash generated from/(used in) financing activities	29,294	(269,927)	(511,328)	(594,525)	(239,325)
Net increase/(decrease) in cash and cash equivalents	143	(30,605)	(32,109)	21,263	20,474
Cash and cash equivalents at beginning of the year/period	9,586	42,979	42,979	19,322	1,155
Effect of changes in foreign exchange rate	(76)	1,164	(1,284)	2,394	(2,307)
Cash and cash equivalents at end of the year/period	9,653	13,538	9,586	42,979	19,322
Analysis of cash and cash equivalents					
Bank and cash balances	9,653	13,538	9,586	42,979	19,322

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

The Target Company was incorporated in the PRC with limited liability. The address of its registered office and principal place of business are South of 320 National Highway and East of Chuangye Middle Avenue (which is both sides of Wuhuazhong Road), Wangcheng New District, Xinjian District, Nanchang City, Jiangxi Province, PRC*（中國江西省南昌市新建區望城新區320國道南面創業大道東側(即物華中路兩側）. The Target Company is principally engaged in investment, development, and management of property in Nanchang, Jiangxi. The Target Company is developing a residential property project in Nanchang, Jiangxi, namely Rongzhou Gangjiucheng*（容州港九城）. Prior to the completion of the Capital Contribution, the Target Company was owned as to 100% by Shenzhen Rongzhou Cultural Industry Investment Company Limited*（深圳市容州文化產業投資有限公司）("Shenzhen Culture"). Following the completion of the Capital Contribution, Nanjing Rongzhou Cultural Industry Investment Company Limited*（南京市容州文化產業投資有限公司）("Nanjing Investment"), a subsidiary of the Company, became interested in 66.67% of the equity interest in the Target Company, and the Target Company became a subsidiary of the Company.

2. Basis of preparation and presentation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance. When necessary, adjustments are made to the Historical Financial Information to bring the Target Company's accounting policies in line with the Group's accounting policies.

The Target Company had net current liabilities and net liabilities of HK$441,602,000 and HK$431,631,000 respectively as at 31 May 2019. The financial statements have been prepared on a going concern basis because the shareholders have agreed to provide financial support at a level sufficient to finance the working capital requirements of the Target Company.

3. Application of new and revised HKFRSs

The Target Company has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting period beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Target Company's accounting policies, presentation of the Target Company's financial statements and amounts reported for the current year and prior years.

New/revised HKFRSs that have been issued but not yet effective

The following new and amendments to HKFRSs have been issued but are not effective for the financial year beginning on 1 January 2019, and have not been early adopted by the Target Company:

		Effective for annual periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 3 (Amendments)	Definition of a business	1 January 2020
HKAS 1 and 8 (Amendments)	Definition of material	1 January 2020

4. Significant accounting policies

Statement of compliance

Historical Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA, and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Historical Financial Information have been prepared under the historical cost convention, except for property, plant and equipment and investment property, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. These financial statements are presented in HK$ and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements are disclosed in Note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of these Historical Financial Information are set out below.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of the Target Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in HK$, which is the Company's functional and presentation currency.

(b) Transactions and balances in the financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of property, plant and equipment are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the asset revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the asset revaluation reserve are charged against the asset revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued property, plant and equipment, the attributable revaluation increases remaining in the asset revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Office equipment	20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If a property held for sale becomes an investment property, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Operating leases

The Target Company as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company transfers substantially all the risks and rewards of ownership of the assets; or the Target Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received was recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Target Company are classified as financial assets at amortised cost:

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Target Company recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Target Company measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Target Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Target Company recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

(a) the customer simultaneously receives and consumes the benefits provided by the Target Company's performance;

(b) the Target Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Target Company's performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

The Target Company contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Company and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Target Company to the funds.

(c) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Target Company can no longer withdraw the offer of those benefits and when the Target Company recognises restructuring costs and involves the payment of termination benefits.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Target Company whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Company.

(a) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Target Company or to a parent of the Target Company.

Impairment of assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its tangible and other intangible assets except investment properties, properties for sale under development and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. Critical judgements and key estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Target Company have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(a) Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the shareholders at a level sufficient to finance the working capital requirements of the Target Company. Details are explained in Note 2 to the Historical Financial Information.

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

The Target Company determines the estimated useful lives, residual values and related depreciation charges for the Target Company's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Target Company will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment loss for bad and doubtful debts

The Target Company makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Net realisable value of properties for sale under development

Net realisable value of properties for sale under development is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. The Target Company will reassess the estimates by the end of each reporting period.

6. Financial risk management

The Target Company's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance.

(a) Foreign currency risk

The Target Company has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target Company which is Renminbi ("RMB"). The Target Company currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Target Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of each of the Relevant Periods in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statements of financial position. The Target Company's credit risk is primarily attributable to its other receivables. In order to minimise credit risk, its directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Target Company's credit risk is significantly reduced.

The Target Company considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Target Company normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Target Company, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Target Company uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Target Company considers historical loss rates for each category and adjusts for forward looking data.

Category	**Definition**	**Loss provision**
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

	Amount due from the immediate holding company	Amount due from a shareholder	Other receivables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 May 2019				
Amount	215,985	443,960	101	660,046
Provision for loss allowance	–	–	–	–
Carrying amounts	215,985	443,960	101	660,046
At 31 December 2018				
Amount	121,187	569,250	–	690,437
Provision for loss allowance	–	–	–	–
Carrying amounts	121,187	569,250	–	690,437
At 31 December 2017				
Amount	–	108,507	924	109,431
Provision for loss allowance	–	–	–	–
Carrying amounts	–	108,507	924	109,431
At 31 December 2016				
Amount	–	64,541	750	65,291
Provision for loss allowance	–	–	–	–
Carrying amounts	–	64,541	750	65,291

All of these advance and deposit are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

(c) *Liquidity risk*

The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Target Company's financial liabilities is as follows:

	Carrying amounts	Total contractual undiscounted cash flow	
		Total	Less than 1 year
	HK$'000	*HK$'000*	*HK$'000*
At 31 May 2019			
Trade and other payables	33,804	33,804	33,804
Amounts due to intermediate holding companies	73,801	73,801	73,801
	107,605	107,605	107,605
At 31 December 2018			
Trade and other payables	48,484	48,484	48,484
Amounts due to intermediate holding companies	74,002	74,002	74,002
	122,486	122,486	122,486
At 31 December 2017			
Trade and other payables	21,228	21,228	21,228
At 31 December 2016			
Trade and other payables	26,001	26,001	26,001

(d) *Interest rate risk*

As the Target Company has no significant interest-bearing assets and liabilities, the Target Company's operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of the Target Company's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

(f) Financial instruments by category

The carrying amounts of each of the category of the Target Company's financial instruments at the end of each of the Relevant Periods are as follows:

	At 31 May	At 31 December		
	2019	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at amortised cost (including cash and cash equivalents)	721,118	757,442	198,158	88,931
Financial liabilities				
Financial liabilities at amortised cost	107,605	122,486	21,228	26,001

7. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Target Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Target Company's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

	2018			
	Fair value measurements using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Investment property	–	–	9,610	9,610

	31 May 2019			
	Fair value measurements using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Investment property	–	–	9,583	9,583

(b) Reconciliation of investment property measured at fair value based on level 3:

	HK$'000
At 1 January 2018	–
Addition	9,493
Exchange difference	117
At 31 December 2018 and 1 January 2019	9,610
Exchange difference	(27)
At 31 May 2019	9,583

(c) Disclosure of valuation process used by the Target Company and valuation techniques and inputs used in fair value measurements at 31 December 2018 and 31 May 2019:

The finance team of the Target Company is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The finance team of the Target Company reports directly to the directors of the Target Company for these fair value measurements. Discussions of valuation processes and results are held between the finance team of the Target Company and the directors of the Target Company at least twice a year.

For level 3 fair value measurements, the Target Company will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 31 December 2018	Fair value 31 May 2019
					HK$'000	*HK$'000*
Investment property	Income approach	Term yield	6%	Increase	9,610	9,583
		Reversion yield	6.5%	Increase		
		Adopted market rent	RMB30 per sq.m. per month	Increase		

8. Revenue

The Target Company's revenue was derived from property development during the Relevant Periods in the PRC and recognised at a point in time.

	Five months ended 31 May		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)			
Property development	286,478	–	275,001	–	–

Disaggregation of revenue from contracts with customers and major products are as follows:

	Five months ended 31 May		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)			
Properties	286,478	–	275,001	–	–

Development and sales of properties

The Target Company develops and sells properties to the customers. Sales of a contract are recognised when control of the property has transferred, being when the customer obtains the physical possession or the legal title of the completed property and the Target Company has present right to payment and the collection of the consideration is probable.

Segment Information

The Target Company's operating segment is property development. Since this is the only operating segment of the Target Company, no further analysis thereof is presented.

The Target Company's operation and operating assets are located in PRC. Accordingly, no geographical segment information is presented.

Geographical information

The Target Company's revenue are all derived from the PRC based on the location of goods delivered and all of the Target Company's non-current assets are located in the PRC by physical location of assets.

Revenue from major customers

No customer individually contributed over 10% of the total revenue of the Target Company.

9. Other income

	Five months ended 31 May		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)			
Interest income	38	188	306	397	78
Gain on disposal of property, plant and equipment	–	–	56	83	–
Rental income	182	–	185	–	–
	220	188	547	480	78

10. Income tax

	Five months ended 31 May		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)			
PRC Enterprise Income Tax for the year/period	25,008	–	26,725	–	–

According to the Law of the PRC on Enterprise Income Tax, the Target Company is subject to the applicable tax rate of 25%.

The reconciliation between the income tax and the profit/(loss) before tax is as follows:

	Five months ended 31 May		Year ended 31 December		
	2019	2018	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)			
Profit/(loss) before tax	100,030	(6,509)	92,842	(19,067)	(18,564)
Notional tax on profit/(loss) before tax calculated at the PRC statutory rate	25,008	(1,627)	23,210	(4,766)	(4,641)
Tax effect of non-deductible expenses	–	1,627	3,515	4,766	4,641
Income tax for the year/period	25,008	–	26,725	–	–

11. Profit/(loss) for the years

The Target Company's profit/(loss) for the Relevant Periods is stated after charging the following:

	Five months ended 31 May		Year ended 31 December		
	2019	2018	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(unaudited)			
Auditor's remuneration	–	–	22	8	8
Cost of inventories sold	181,747	–	166,460	–	–
Depreciation	121	213	413	471	372
Directors' emoluments	–	–	–	–	–
Staff costs (including directors' remuneration):					
Salaries, bonus and allowances	2,344	4,838	8,515	5,605	4,148

12. Dividends

The directors do not recommend the payment of any dividend for each of the Relevant Periods.

13. Property, plant and equipment

	Motor vehicles	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Valuation			
At 1 January 2016	1,491	262	1,753
Currency realignment	(96)	(17)	(113)
Additions	–	414	414
At 31 December 2016 and 1 January 2017	1,395	659	2,054
Currency realignment	106	50	156
Additions	547	79	626
Disposals	(227)	(21)	(248)
At 31 December 2017 and 1 January 2018	1,821	767	2,588
Currency realignment	(95)	(40)	(135)
Additions	–	38	38
Disposals	(215)	–	(215)
At 31 December 2018 and 1 January 2019	1,511	765	2,276
Currency realignment	(4)	(2)	(6)
At 31 May 2019	1,507	763	2,270

	Motor vehicles *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
Accumulated depreciation and impairment			
At 1 January 2016	860	165	1,025
Currency realignment	(67)	(15)	(82)
Charge for the year	275	97	372
At 31 December 2016 and 1 January 2017	1,068	247	1,315
Currency realignment	91	28	119
Charge for the year	251	220	471
Disposals	(220)	(19)	(239)
At 31 December 2017 and 1 January 2018	1,190	476	1,666
Currency realignment	(71)	(32)	(103)
Charge for the year	226	187	413
Disposals	(208)	–	(208)
At 31 December 2018 and 1 January 2019	1,137	631	1,768
Currency realignment	(4)	(3)	(7)
Charge for the period	49	72	121
At 31 May 2019	1,182	700	1,882
Carrying amounts			
At 31 May 2019	325	63	388
At 31 December 2018	374	134	508
At 31 December 2017	631	291	922
At 31 December 2016	327	412	739

Had all the categories of the Target Company's property, plant and equipment been carried at cost less accumulated depreciation and impairment losses, the carrying values of property, plant and equipment would have been stated as follows:

At 31 May 2019	325	63	388
At 31 December 2018	374	134	508
At 31 December 2017	631	291	922
At 31 December 2016	327	412	739

14. Properties for sale under development

	HK$'000
At 1 January 2016	123,795
Additions	259,124
Currency realignment	(18,813)
At 31 December 2016 and 1 January 2017	364,106
Additions	212,059
Currency realignment	36,296
At 31 December 2017 and 1 January 2018	612,461
Additions	301,002
Currency realignment	(46,961)
Transfer to investment property	9,493
Properties sold	(166,460)
At 31 December 2018 and 1 January 2019	709,535
Additions	40,884
Currency realignment	1,351
Properties sold	(181,747)
At 31 May 2019	570,023

15. Other receivables, deposits and prepayments

	At 31 May	At 31 December		
	2019	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Value-added tax receivables	74,301	86,894	46,420	11,553
Prepayment, deposits and other receivables	23,075	33,726	67,597	14,444
	97,376	120,620	114,017	25,997

16. Amount due from the immediate holding company

	At 31 May	As 31 December		
	2019	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from the immediate holding company				
Nanjing Investment	215,985	121,187	–	–
Maximum amount outstanding during the period/year	215,985	125,978		

The amount due is interest-free, unsecured and had no fixed term of repayment.

17. Amount due from a shareholder

The amount due is secured by the shareholder's assets and undistributed earnings, interest-free and had no fixed terms of repayment.

18. Restricted bank deposits and bank and cash balances

Bank and cash balances of Target Company denominated in RMB amounted equivalent to approximately HK$9,653,000, HK$9,586,000, HK$42,979,000 and HK$19,322,000 as at 31 May 2019, 31 December 2018, 2017 and 2016 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

At the end of each of the Relevant Periods, restricted bank deposits of the Target Company represent guarantee deposits for construction of pre-sale properties denominated in RMB placed in designated accounts.

19. Trade and other payables

	At 31 May	At 31 December		
	2019	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	29,981	46,255	20,749	26,001
Other payables	3,823	2,229	479	–
	33,804	48,484	21,228	26,001

An aging analysis of the trade payables at the end of each of the Reporting Periods, based on invoice dates, is as follows:

	At 31 May	At 31 December		
	2019	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 60 days	3,219	39,509	18,602	18,263
61 to 90 days	5,615	29	238	5,707
Over 90 days	21,147	6,717	1,909	2,031
	29,981	46,255	20,749	26,001

20. Contract liabilities

Disclosures of revenue-related items:

	At 31 May 2019	**As at 31 December 2018**	**As at 31 December 2017**	**As at 31 December 2016**	**As at 1 January 2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total contract liabilities	1,733,435	2,011,149	1,534,065	488,944	2,492
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:					
– 2017	–	–	–	–	
– 2018	–	–	212,361	194,115	
– 2019	1,081,479	1,372,295	1,390,750	295,357	
– 2020	259,800	259,348	–	–	
– 2021	393,102	379,363	–	–	
	1,734,381	2,011,006	1,603,111	489,472	

	Five months ended 31 May 2019	**Year ended 31 December 2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue recognised in the period/year that was included in contract liabilities at beginning of year	286,478	275,001	–	–

Significant changes in contract liabilities during the Relevant Periods:

	Five months ended 31 May	Year ended 31 December		
	2019	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase due to operations	31,597	870,427	967,878	507,901
Transfer of contract liabilities to revenue	(310,332)	(288,760)	–	–

A contract liability represents the Target Company's obligation to transfer products or services to a customer for which the Target Company has received consideration from the customer.

21. Amounts due to the intermediate holding companies

The amounts due to the intermediate holding companies are interest-free, unsecured and had no fixed terms of repayment.

22. Registered capital

	RMB'000	*HK$'000*
Issued and fully paid:		
At 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018	10,000	11,170
Capital contribution	20,000	22,571
At 31 December 2018, 1 January 2019 and 31 May 2019	30,000	33,741

Capital management

The Target Company's primary objective when managing capital is to safeguard the Target Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Target Company's objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Target Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the payment of dividends, issue new shares, buyback shares, raise new debts, redeem existing debts or sell assets to reduce debts.

23. Reserves

Nature and purpose of reserves of the Target Company

(i) Other reserve

Other reserve represents the amount of a shareholder withdrew from the Target Company which will not be transferred back to the Target Company and adjustment to equity resulted from the equity transaction with the shareholder.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the Historical Financial Information from functional currency to presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 4 to the Historical Financial Information.

24. Notes to the statements of cash flows

Changes in liabilities arising from financing activities

The following table shows the Target Company's changes in liabilities arising from financing activities during the Relevant Periods:

	Amounts due to the intermediate holding companies
	HK$'000
At 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018	–
Changes in cash flows	76,928
Exchange difference	(2,926)
At 31 December 2018 and 1 January 2019	74,002
Exchange difference	(201)
At 31 May 2019	73,801

25. Contingent liabilities

At the end of each of the Reporting Periods, the Target Company did not have any significant contingent liabilities.

26. Lease commitments

At the end of each of the Reporting Periods, the Target Company had contracted with tenants for the following future minimum lease payments:

	At 31 May	At 31 December		
	2019	**2018**	**2017**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	745	747	–	–
In the second to fifth year inclusive	3,110	3,106	–	–
After five years	13,908	14,289	–	–
	17,763	18,142	–	–

Operating lease receivables represent rentals receivables by the Target Company for certain of its investment property. Leases are negotiated for a term of 20 years and rentals are fixed over the lease terms and do not include contingent rentals.

27. Subsequent financial statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2018.

The following management discussion and analysis is based on the financial information of the Target Company for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019 included in the accountants' report of the Target Company as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Company was established under the laws of the PRC with limited liability on 3 September 2010. The Target Company is principally engaged in investment, development, and management of property in Nanchang, Jiangxi. The Target Company is developing a residential property project in Nanchang, Jiangxi, namely Rongzhou Gangjiucheng*（容州港九城）, with a gross floor area of 373,739.53 sq.m..

In 2018, delivery of certain property units under Phase I of Rongzhou Gangjiucheng*（容州港九城）began and contributed to the Group's revenue in the amount of approximately HK$275,001,000. The total gross floor area sold was approximately 35,306 sq.m. and 142 car parking spaces.

FINANCIAL REVIEW

(a) Financial performance

For the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, the Target Company had only one reportable business segment, which was the development and management of properties in the PRC.

The Target Company did not record any revenue and cost of sales for the years ended 31 December 2016 and 2017 as the Target Company did not deliver properties to the customers whilst having only commenced development of the properties. For the year ended 31 December 2018 and the five months ended 31 May 2019, the Target Company recorded revenue of approximately HK$275,001,000 and HK$286,478,000 respectively as the title of the properties sold has been transferred to customers.

For the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, the distribution and selling expenses of the Target Company were approximately HK$12,955,000, HK$14,906,000, HK$9,643,000 and HK$3,279,000 respectively. The distribution and selling expenses primarily comprised advertising and marketing expenses and agency fees on pre-sales of the properties.

For the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, the administrative expenses of the Target Company were HK$5,687,000, HK$4,641,000, HK$6,603,000 and HK$1,642,000 respectively. The administrative expenses mainly consisted of staff costs including salaries, bonus and allowances.

Loss after tax for the years ended 31 December 2016 and 2017 were HK$18,564,000 and HK$19,067,000 respectively while profit after tax for the year ended 31 December 2018 and the five months ended 31 May 2019 were HK$66,117,000 and HK$75,022,000 respectively. The Target Company recorded loss after tax for the years ended 31 December 2016 and 2017 as there was no revenue generated from sales of properties which were still under development. The Target Company subsequently recorded profit after tax for the year ended 31 December 2018 and the five months ended 31 May 2019, which was primarily attributable to the revenue generated from delivery of properties to the customers.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Company had properties for sale under development of approximately HK$364,106,000, HK$612,461,000, HK$709,535,000 and HK$570,023,000 respectively. The substantial increase in properties for sale under development in 2017 was attributable to increase in construction costs incurred, which was in-line with the construction plan of the property project. In 2018, properties for sale under development continued to increase but for the five months ended 31 May 2019 the balance decreased as some properties were sold and delivered during such period.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the amount due from a shareholder of the Target Company amounted to approximately HK$64,541,000, HK$108,507,000, HK$569,250,000 and HK$443,960,000 respectively. The respective changes in the amount due from a shareholder in 2017 and 2018 was respectively due to the amount paid to or received from the shareholder.

As at 31 December 2018 and 31 May 2019, the Target Company had an amount due from the immediate holding company of approximately HK$121,187,000 and HK$215,985,000 respectively which was subject to inter-company elimination.

As at 31 December 2016, 2017 and 2018 and 31 May 2019, other receivables, deposits and prepayment of the Target Company amounted to approximately HK$25,997,000, HK$114,017,000, HK$120,620,000 and HK$97,376,000 respectively. The substantial increase in other receivables, deposits and prepayment in 2017 and subsequently in 2018 mainly was attributable to the increase in value-added tax receivables for both years. The balance dropped in 2019 mainly due to reduction in value-added tax recoverable upon delivery of certain properties.

Contract liabilities of the Target Company as at 31 December 2016, 2017 and 2018 and 31 May 2019 amounted to HK$488,944,000, HK$1,534,065,000, HK$2,011,149,000 and HK$1,733,435,000 respectively. The continual increase in contract liabilities from 2016 to 2018 was in-line with the presale plan of the property project. The amount decreased in 2019 due to the delivery of certain properties.

As at 31 May 2019, the statement of financial position mainly consisted properties for sale under development and contract liabilities at HK$570,023,000 and HK$1,733,435,000, respectively. Both amounts will be recognised in profit or loss as cost of sales (with subsequently incurred cost) and revenue, respectively upon delivery of the property units in phase, which was scheduled between late 2018 and the year of 2021, eventually both amounts will be decreased, and the difference will be realised as profit after deduction of value-added tax and other tax and surcharge, if applicable.

(b) Liquidity, financial resources and capital structure

As at 31 December 2016, 2017 and 2018 and 31 May 2019, the Target Company had net current liabilities of approximately HK$24,145,000, HK$626,186,000, HK$516,354,000 and HK$441,602,000 respectively.

For the years ended 31 December 2016 and 2017, the Target Company has generated cash inflow of approximately HK$20,474,000 and HK$21,263,000, respectively, mainly contributed by the increase in contract liabilities. However, for the year ended 31 December 2018, the Target Company has recorded a net cash outflow of approximately HK$32,109,000, mainly contributed by the amount paid to a shareholder, the effect of which was reduced by the increase in contract liabilities. For the five months ended 31 May 2019, the Target Company has generated a net cash inflow of approximately HK$143,000 mainly contributed by the amount received from a shareholder, the effect of which was reduced by the decrease in contract liabilities.

Throughout the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, the Target Company did not have any outstanding borrowings. Its operation was financed by (i) its shareholders; and (ii) the internally-generated cash flow which mainly arose from pre-sales of the properties in Rongzhou Gangjiucheng*（容州港九城）.

As at 31 December 2016, 31 December 2017 and 31 December 2018 and 31 May 2019, the Target Company has recorded negative equity of approximately HK$23,406,000, HK$625,264,000, HK$506,236,000 and HK$431,631,000 respectively.

(c) Gearing ratio

The gearing ratio of the Target Company, calculated as total interest-bearing borrowings over total assets, as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 May 2019 was zero as the Target Company had no such borrowings.

(d) Contingent liabilities

The Target Company did not have any contingent liabilities as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 May 2019.

(e) Financial risk management

For the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, the Target Company was mainly exposed to market (interest rate) credit and liquidity risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by the Target Company, please refer to Note 6 of the Accountants' Report of the Target Company as set out in Appendix II to this circular.

As the operations of the Target Company were principally based in PRC for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, the principal assets and liabilities of the Target Company were denominated in RMB and therefore the Target Company considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

(f) Significant investments

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 May 2019, save for the development of Rongzhou Gangjiucheng*（容州港九城）, the Target Company did not have any material investments.

(g) Material acquisition and disposal

The Target Company did not have any material acquisition or disposal of subsidiaries and associated companies for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019.

(h) Charges on company assets

There was no charge on Target Company's assets for the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019.

(i) Employee and remuneration policies

For the years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2019, staff costs of the Target Company was approximately HK$4,148,000, HK$5,605,000, HK$8,515,000 and HK$2,344,000 respectively, and the average number of employees on an annual basis was approximately 34, 39, 40 and 38, respectively. Employee benefits of all forms of considerations were given in exchange for services rendered by employees or compensation paid in order to terminate the employment relationship. Employee benefits mainly include short-term employee benefits, demission benefits, termination benefits and other long-term employee benefits etc..

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared by the Directors of the Company to illustrate the effect of the Capital Contribution, assuming the transaction had been completed as at 31 May 2019, might have affected the financial position of the Group.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2019 as extracted from the published interim results announcement of the Group for the six months ended 30 June 2019 and the audited statement of financial position of the Target Company as at 31 May 2019 as extracted from the accountants' report set out in Appendix II of this circular after making certain pro forma adjustments resulting from the Capital Contribution.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Capital Contribution actually occurred on 30 June 2019. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of this circular, the financial information of the Target Company as set out in Appendix II of this circular and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2019	Pro forma adjustment	The Group without the Target Company as at 30 June 2019	The Target Company as at 31 May 2019	Subtotal	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)			(Audited)				
	(Note 1)	*(Note 2)*		*(Note 3)*		*(Note 4)*	*(Note 5)*	
Non-current assets								
Property, plant and equipment	425,693	(365)	425,328	388	425,716	–	–	425,716
Investment property	9,601	(9,601)	–	9,583	9,583	–	–	9,583
Deposits paid for acquisition of property, plant and equipment	8,198	–	8,198	–	8,198	–	–	8,198
Goodwill	211,412	(136,114)	75,298	–	75,298	139,060	–	214,358
Right-of-use assets	131,266	–	131,266	–	131,266	–	–	131,266
Interests in joint venture	10,243	–	10,243	–	10,243	–	–	10,243
	796,413	(146,080)	650,333	9,971	660,304	139,060	–	799,364
Current assets								
Inventories	65,092	–	65,092	–	65,092	–	–	65,092
Properties for sale under development	1,524,422	(438,932)	1,085,490	570,023	1,655,513	342,529	–	1,998,042
Trade, bills and other receivables, deposits, prepayments	213,347	(42,620)	170,727	121,397	292,124	–	–	292,124
Financial assets at fair value through profit or loss	178	–	178	–	178	–	–	178
Amount due from a shareholder	–	–	–	443,960	443,960	–	(443,960)	–
Amount due from the immediate holding company	–	(230,495)	(230,495)	215,985	(14,510)	–	14,510	–
Amount due from a non-controlling shareholder of a subsidiary	424,925	(424,925)	–	–	–	–	443,960	443,960
Pledged bank deposits	6,131	–	6,131	–	6,131	–	–	6,131
Restricted bank deposits	38,488	(38,488)	–	38,420	38,420	–	–	38,420
Bank and cash balances	18,867	(10,488)	8,379	9,653	18,032	–	–	18,032
	2,291,450	(1,185,948)	1,105,502	1,399,438	2,504,940	342,529	14,510	2,861,979
Current liabilities								
Trade, bills and other payables	483,556	(43,405)	440,151	33,804	473,955	–	–	473,955
Contract liabilities	1,119,836	(1,113,483)	6,353	1,733,435	1,739,788	–	–	1,739,788
Borrowings	2,275	–	2,275	–	2,275	–	–	2,275
Lease liabilities	8,785	–	8,785	–	8,785	–	–	8,785
Tax payable	37,812	(37,812)	–	–	–	–	–	–
Amount due to the controlling shareholder	7,702	–	7,702	–	7,702	–	–	7,702
Amount due to the intermediate holding companies	–	(73,931)	(73,931)	73,801	(130)	–	130	–
	1,659,966	(1,268,631)	391,335	1,841,040	2,232,375	–	130	2,232,505
Net current assets/(liabilities)	631,484	82,683	714,167	(441,602)	272,565	342,529	14,380	629,474
Total assets less current liabilities	1,427,897	(63,397)	1,364,500	(431,631)	932,869	481,589	14,380	1,428,838
Non-current liabilities								
Amount due to the controlling shareholder	42,900	–	42,900	–	42,900	–	–	42,900
Lease liabilities	23,310	–	23,310	–	23,310	–	–	23,310
Convertible bonds	43,594	–	43,594	–	43,594	–	–	43,594
Deferred tax liabilities	93,574	(47,439)	46,135	–	46,135	85,632	–	131,767
	203,378	(47,439)	155,939	–	155,939	85,632	–	241,571
Net assets/(liabilities)	1,224,519	(15,958)	1,208,561	(431,631)	776,930	395,957	14,380	1,187,267

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Figures are extracted from the unaudited consolidated financial statements of the Group as set out in the interim results announcement of the Group for the six months ended 30 June 2019.

(2) The adjustment represented the figures of the Target Company's statement of financial position as at 30 June 2019 after capital contribution.

(3) Figures are extracted from the Target Company's statement of financial position as at 31 May 2019 included in the Accountants' Report of the Target Company as set out in Appendix II to this circular.

(4) Pursuant to the Capital Increase Agreement, a subsidiary of the Group, by way of a capital contribution, acquired approximately 66.67% equity interest of the Target Company. The capital contribution was made in the form of cash in the amount of RMB20,000,000 (equivalent to approximately HK$22,571,000). Following the Capital Contribution, the registered capital of the Target Company increased to RMB30,000,000, and the immediate holding company became interested in approximately 66.67% equity interest in the Target Company. The identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method of accounting in accordance with HKFRS 3 "Business Combination".

Goodwill arising from the Capital Contribution is calculated as follows:

	HK$'000
Consideration	22,571
Less: Fair value of identifiable net liabilities	174,734
Add: Non-controlling interest	(58,245)
Goodwill	139,060

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have estimated that the fair value of the identifiable assets and liabilities of the Target Group at 31 May 2019 by taking reference of the valuation of the properties for sale under development as at 31 August 2019 carried out by an independent valuer. The fair value adjustment is determined based on the carrying amount of properties for sale under development as at 31 May 2019 and adjusted to the fair value in valuation report disclosed in Appendix V to this circular.

	HK$'000
Carrying amounts of net liabilities of the Target Company at 31 May 2019	(431,631)
Fair value adjustments on:	
Properties for sale under development	342,529
Deferred tax liabilities	(85,632)
Fair value of identifiable net liabilities	(174,734)

The directors of the Company have assessed whether there is any impairment on the goodwill arising from the Capital Contribution in accordance with HKAS 36 "Impairment of Assets" and concluded that there is no impairment in respect of the goodwill as at 31 May 2019.

The recoverable amount of the cash generating unit ("CGU") comprising the goodwill is determined based on value in use calculation. That calculation uses discounted cash flow method, cash flow projections based on a five-year financial budget approved by management of the Target Company. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue. The Target Company estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The rate used to discount the forecast cash flows is 16%. The growth rates are based on long term average economic growth rate of the geographical area in which the businesses of the CGU operate, the residual period using the growth rate of 3%. Budgeted gross margin and revenue are based on past practices and expectations on market development. The directors of the Company confirm that the Company will adopt consistent accounting policies, valuation method and principal assumptions as used in the pro forma financial information to assess the impairment of the goodwill in the future financial periods ends.

In reporting on the pro forma financial information, our reporting accountants considered whether the basis on which the pro forma financial information has been complied is consistent with the Group's accounting policies, including the accounting policies related to impairment assessment on goodwill described above.

(5) The adjustment represented the reclassification of amount due from a shareholder of approximately HK$444 million to amount due from a non-controlling shareholder of a subsidiary. Amount due from the intermediate holding companies and amount due to the immediate holding company of approximately HK$130,000 and HK$14,510,000 respectively will be eliminated in the Group as they are subsidiaries in the Enlarged Group.

D. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中匯安達會計師事務所有限公司
ZHONGHUI ANDA CPA LIMITED

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

24 September 2019

The Board of Directors
Tesson Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tesson Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 June 2019 (the "Statement") as set out in Appendix IV of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are described in Appendix IV of the circular.

The Statement has been compiled by the directors to illustrate the impact of the acquisition of the 66.67% interest in Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）on the Group's financial position as at 30 June 2019 as if the transaction had been taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements as included in the interim results announcement for the six months ended 30 June 2019, on which no audit or review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in the circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

The following is the text of a property valuation report prepared for inclusion in this circular, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuations as of 31 August 2019 of the Properties.

APAC Asset Valuation and Consulting Limited
5/F., Blissful Building, 243 – 247 Des Voeux Road Central, Hong Kong
Tel: (852) 2357 0059
Fax: (852) 2951 0799

The Directors
Tesson Holdings Limited
Room 1007, Tsim Sha Tsui Centre, West Wing
No. 66 Mody Road
Tsim Sha Tsui
Kowloon
Hong Kong

24 September 2019

Dear Sirs/Madams,

RE: VALUATION OF VARIOUS PORTIONS OF RONGZHOU GANGJIUCHENG（容州港九城）, SOUTH OF 320 NATIONAL HIGHWAY AND EAST OF CHUANGYE MIDDLE AVENUE, WANGCHENG NEW DISTRICT, XINJIAN DISTRICT, NANCHANG CITY, JIANGXI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTIES")

In accordance with the instructions from Tesson Holdings Limited (the "Company") for us to value the Properties situated in The People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 August 2019 (the "valuation date") for the purpose of incorporation into the circular issued by the Company. The valuation results should not be construed to be a fairness opinion, a solvency opinion or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the Properties.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of the Company and our valuation is prepared in accordance with the "HKIS Valuation Standards" published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Properties on the open markets without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the Properties.

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION METHODOLOGY

In valuing the Property in Group I, which was held for sale in the PRC, we have valued the Property by making reference to comparable sales evidences as available in the relevant markets.

In valuing the Property in Group II, which was held for investment in the PRC, we have ascribed no commercial value to the Property as the relevant Building Ownership Certificate and/or Pre-sale Permit have not been obtained.

In valuing the Property in Group III, which was held under development in the PRC, we have valued the Property on the basis that it will be developed and completed in accordance with the latest development proposal provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have adopted the comparison approach by making reference to comparable sales evidences as available in the relevant markets and have also taken into account the incurred construction cost and the cost that will be incurred to complete the development to reflect the quality of the completed development.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the Properties. However, we have not caused title searches to be made for the Properties at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the Properties in the PRC, we have relied on the legal opinion provided by the Company's PRC legal adviser, Beijing Yingke Law Firm Shenzhen Office, regarding the title and other legal matters to the Properties.

SOURCES OF INFORMATION

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, site and floor areas, tenancy agreement, construction costs and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Site inspections of the Properties were carried out by Mr. James Chu (BSc in Surveying) in April 2019. We have inspected the exterior and, where possible, the interior of the Properties. We have not inspected those parts of the Properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Properties but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspections, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

LIMITATION OF LIABILITIES

This valuation report is issued on the understanding that you have drawn our attention to all matters of which they are aware concerning the Properties which may have an impact on our valuation report up to the valuation date. We have no responsibility to update this valuation report for events and circumstances occurring after the date of completion of our assessment but will be pleased to discuss further instructions as may be required.

MANAGEMENT CONFIRMATION OF FACTS

A draft of this valuation report and our calculation has been sent to the Company. The Company has reviewed and orally confirmed to us that facts as stated in this valuation report and calculation are accurate in all material respects and that the Company is not aware of any material matters relevant to our engagement which have been excluded.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB).

Our valuation report is attached.

Yours faithfully,

For and on behalf of
APAC Asset Valuation and Consulting Limited
Ken Wong
MHKIS, MCIREA, RPS (GP)
Director

Note: Mr. Ken Wong is a Registered Professional Surveyor in General Practice Division with over 18 years valuation experience on properties in Hong Kong and the PRC.

Encl.

SUMMARY OF VALUES

No.	Property		Market Value in existing state as at 31 August 2019
	Group I – Property held for sale in the PRC		
1.	Various retail units and car parking spaces of Phase I of Rongzhou Gangjiucheng (容州港九城), South of 320 National Highway and East of Chuangye Middle Avenue, Wangcheng New District, Xinjian District, Nanchang City, Jiangxi Province, PRC		RMB111,000,000
		Sub-total:	RMB111,000,000
	Group II – Property held for investment in the PRC		
2.	A kindergarten of Phase I of Rongzhou Gangjiucheng (容州港九城), South of 320 National Highway and East of Chuangye Middle Avenue, Wangcheng New District, Xinjian District, Nanchang City, Jiangxi Province, PRC		No commercial value
		Sub-total:	No commercial value
	Group III – Property held under development in the PRC		
3.	Phase II of Rongzhou Gangjiucheng (容州港九城), South of 320 National Highway and East of Chuangye Middle Avenue, Wangcheng New District, Xinjian District, Nanchang City, Jiangxi Province, PRC		RMB722,000,000
		Sub-total:	RMB722,000,000
		Total:	**RMB833,000,000**

VALUATION REPORT

Group I – Property held for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2019
1.	Various retail units and car parking spaces of Phase I of Rongzhou Gangjiucheng (容州港九城), South of 320 National Highway and East of Chuangye Middle Avenue, Wangcheng New District, Xinjian District, Nanchang City, Jiangxi Province, PRC	Rongzhou Gangjiucheng (容州港九城) (the "Development") is a residential/ commercial development being erected on two parcels of land with a total site area of 99,793.33 sq.m.. The Development is situated in Wangcheng New District of Xinjian District of Nanchang. The immediate locality is a newly-developed residential area with some industrial developments in the vicinity. According to the information provided by the Company, the Property comprises various retail units with a total gross floor area of approximately 5,077.09 sq.m. and 538 car parking spaces of Phase I of the Development. The Property was completed in between 2018 and 2019. The land use rights of the Property have been granted for two concurrent terms due to expire on 31 January 2051 for commercial use and 31 January 2081 for residential use respectively.	As advised by the Company, the Property was vacant for sale as at the valuation date.	RMB111,000,000

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 36012220110127G043 dated 1 February 2011, the land use rights of a parcel of land of the Development have been granted to Nanchang Rongzhou Investment Company Limited (南昌市容州投資有限公司) (the "Target Company"). Details of the said contract are as follows:

Parcel No.:	2010G043
Site Area:	69,793.33 sq.m.
Usage:	Commercial and residential
Land Use Term:	Commercial: 40 years Residential: 70 years
Plot Ratio:	Not more than 3.0 and not less than 1.27
Building Height:	Base on the requirements of town planning
Building Density:	Not more than 35%
Green Ratio:	Not less than 30%
Building Covenant:	The construction work has to be commenced before 1 May 2011 and completed before 1 May 2013.
Consideration:	RMB31,270,903

2. Pursuant to the supplementary agreement to the State-owned Land Use Rights Grant Contract – No. 36012220110127G043 dated 26 August 2014, the parcel of land with site area of 104.69 mu as stipulated in Note 1 was changed to another parcel of land with site area of 104.01 mu.

3. Pursuant to the State-owned Land Use Rights Grant Contract – No. 36012220110127G044 dated 1 February 2011, the land use rights of a parcel of land of the Development have been granted to the Target Company. Details of the said contract are as follows:

Parcel No.:	2010G044
Site Area:	30,206.66 sq.m.
Usage:	Commercial and residential
Land Use Term:	Commercial: 40 years Residential: 70 years
Plot Ratio:	Not more than 3.0 and not less than 1.27
Building Height:	Base on the requirements of town planning
Building Density:	Not more than 35%
Green Ratio:	Not less than 30%
Building Covenant:	The construction work has to be commenced before 1 May 2011 and completed before 1 May 2013.
Consideration:	RMB13,035,687

4. Pursuant to the supplementary agreement to the State-owned Land Use Rights Grant Contract – No. 36012220110127G044 dated 26 August 2014, the parcel of land with site area of 45.31 mu as stipulated in Note 3 was changed to another parcel of land with site area of 45.68 mu.

5. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of two parcels of land of the Development have been granted to the Target Company. Details of the said certificates are as follows:

Certificate No.	Issue Date	Site Area *(sq.m.)*	Use and Expiry Date
Xin Guo Yong (2014) No. 08025	27 August 2014	30,453.33	Commercial: 31 January 2051 Residential: 31 January 2081
Xin Guo Yong (2014) No. 08026	27 August 2014	69,340.00	Commercial: 31 January 2051 Residential: 31 January 2081
	Total:	**99,793.33**	

6. Pursuant to the Construction Land Planning Permits – Di Zi Nos. 360122201410037 Huan Zheng and 360122201410038 Huan Zheng both dated 8 October 2014, the Target Company was permitted to use two parcels of land of the Development with a total site area of 149.69 mu for commercial and residential uses.

7. Pursuant to the following Construction Work Planning Permits, the construction works of different portions of Phase I of the Development were approved. Details of the said permits are as follows:

Certificate No.	Issue Date	Portion	Gross Floor Area *(sq.m.)*
Jian Zi No. 3601222015000158 Huan Zheng	4 June 2015	Building No. 1 (Phase I)	26,520.41
Jian Zi No. 3601222015000166 Huan Zheng	4 June 2015	Basement of Building No. 1 (Phase I)	22,377.83
Jian Zi No. 3601222015000162 Huan Zheng	4 June 2015	Building A (Phase I)	2,320.24
Jian Zi No. 3601222015000163 Huan Zheng	4 June 2015	Building B (Phase I)	1,864.64

8. Pursuant to the following Construction Work Commencement Permit, the construction works of different portions of Phase I of the Development were approved for commencement. Details of the said permit are as follows:

Certificate No.	Issue Date	Portion	Gross Floor Area *(sq.m.)*
No. 360122201507100101	10 July 2015	Building Nos. 1 – 4, Buildings A, B & C, (Commercial), Building D (Kindergarten), Basement of Building No. 1 (Phase I)	117,857.01

9. Pursuant to the following Pre-sale Permits, different portions of Phase I of the Development were allowed for pre-sale. Details of the said permits are as follows:

Certificate No.	Issue Date	Portion	Gross Floor Area *(sq.m.)*
(Xin) Fang Yu Shou Zheng No. 2015062	16 December 2015	Building Nos. 1 & 2 (Phase I)	36,283.47
(Xin) Fang Yu Shou Zheng No. 201615	9 March 2016	Building No. 4 & Buildings A & B (Phase I)	29,242.72

10. Pursuant to the following Record Forms of Completion Acceptance, the construction works of different portions of Phase I of the Development have been examined and such examinations have been recorded. Details of the said record forms are as follows:

Record Form No.	**Issue Date**	**Portion**	**Gross Floor Area** *(sq.m.)*
Xin Jian (2018) No. 003	5 January 2018	Building No. 1 (Phase I)	26,520.41
Xin Jian (2018) No. 011	5 January 2018	Basement of Building No. 1 (Phase I)	22,377.83
Xin Jian (2018) No. 007	5 January 2018	Building A (Phase I)	2,320.24
Xin Jian (2018) No. 008	5 January 2018	Building B (Phase I)	1,864.64

11. As advised by the Company, the total development cost to be expended for Phase I of the Development was approximately RMB3,000,000.

12. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

    i. the Target Company has legally obtained the land use rights of the Property and is entitled to occupy, use and develop the land use rights. The Target Company is also entitled to transfer, lease, mortgage or by other legal means dispose of the land use rights without paying extra land grant fee or land premium, provided that the relevant laws, regulations and requirements stated in related agreements have been conformed;

ii. the maximum land idle fee is RMB2,607,137.4 for Land Plot No. 2010G044 and RMB6,254,180.6 for Land Plot No. 2010G043 respectively. According to the Company, due to the road construction work by some relevant government departments, the Target Company signed a supplementary agreement with the grantor and the land administration bureau on 26 August 2014, which agreed that the land occupation problem can be resolved by the mean of land exchange. However, the demolition matters of the Property still had not been resolved before July of 2018, which greatly affect the progress of the construction work of the Property. The situation stated by the Company belongs to the circumstances as stipulated in Rule No. 8 of the Disposal Measures of Idle Land（閑置土地處置辦法）and therefore, the Company can make application to the Land Resource Bureau that Rule No. 14 of the Disposal Measures of Idle Land is not applicable for collecting the land idle fee from them. The risk of being fined for land idle fee is low;

iii. the Target Company has obtained the requisite certificates and approvals for developing the Property and such certificates and approvals have not been cancelled, amended or terminated. The Target Company is entitled to develop the Property according to the aforesaid certificates and approvals;

iv. the Target Company is entitled to presell the area of the Property as stated in the aforesaid Pre-sale Permits;

v. after the Property has been completed and examined, the Target Company can make use of the relevant State-owned Land Use Rights Certificates, Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and other construction work completion examination documents to apply for the Building Ownership Certificates from the relevant real estate administration bureau. After obtaining all the construction work completion examination documents, the Target Company has no substantial legal obstacles to obtain the relevant initial house registration, provided that the construction works has been commenced and completed according to the aforesaid construction approvals;

vi. the Property is subject to various mortgages and those mortgages have been registered in the relevant real estate and land administration bureau; and

vii. up to 18 April 2019, no seizure and cancellation for the land use rights of the Property has been found.

13. As per the specific instruction from the Company, we have also valued various residential and retail units and car parking spaces of Phase I of the Development at a total market value of RMB518,000,000 as at 31 October 2018, which were held under development as advised by the Company as at this valuation date. Details of the uses and the approximate gross floor area for those portions are as follows:

Uses	**Approximate Gross Floor Area** *(sq.m.)*	**Number of Car Parking Spaces**
Phase I		
Residential	80,697.10	
Retail	9,383.42	
Car Parking Space		692
Total:	90,080.52	692

VALUATION REPORT

Group II – Property held for investment in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2019
2.	A Kindergarten of Rongzhou Gangjiucheng (容州港九城), South of 320 National Highway and East of Chuangye Middle Avenue, Wangcheng New District, Xinjian District, Nanchang City, Jiangxi Province, PRC	The Development is a residential/commercial development being erected on two parcels of land with a total site area of 99,793.33 sq.m.. The Development is situated in Wangcheng New District of Xinjian District of Nanchang. The immediate locality is a newly-developed residential area with some industrial developments in the vicinity. According to the information provided by the Company, the Property comprises a kindergarten with a gross floor area of approximately 2,376.22 sq.m.. The Property was completed in 2017. The land use rights of the Property have been granted for two concurrent terms due to expire on 31 January 2051 for commercial use and 31 January 2081 for residential use respectively.	As advised by the Company, the Property was subject to a tenancy agreement for a term commencing on 1 September 2018 and expiring on 31 August 2038. Details of the lease terms and rental amounts are as follows: **Term** — **Monthly Rent** *(RMB)* 1/9/2018 – 31/8/2021 — 54,653.06 1/9/2021 – 31/8/2023 — 57,385.71 1/9/2023 – 31/8/2025 — 60,255.00 1/9/2025 – 31/8/2027 — 63,267.75 1/9/2027 – 31/8/2029 — 66,431.14 1/9/2029 – 31/8/2031 — 69,752.69 1/9/2031 – 31/8/2033 — 73,240.33 1/9/2033 – 31/8/2035 — 76,902.34 1/9/2035 – 31/8/2037 — 80,747.46 1/9/2037 – 31/8/2038 — 84,784.83	No commercial value (refer to Note 11)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 36012220110127G043 dated 1 February 2011, the land use rights of a parcel of land of the Development have been granted to the Target Company. Details of the said contract are as follows:

Parcel No.:	2010G043
Site Area:	69,793.33 sq.m.
Usage:	Commercial and residential
Land Use Term:	Commercial: 40 years Residential: 70 years
Plot Ratio:	Not more than 3.0 and not less than 1.27
Building Height:	Base on the requirements of town planning
Building Density:	Not more than 35%
Green Ratio:	Not less than 30%
Building Covenant:	The construction work has to be commenced before 1 May 2011 and completed before 1 May 2013.
Consideration:	RMB31,270,903

2. Pursuant to the supplementary agreement to the State-owned Land Use Rights Grant Contract – No. 36012220110127G043 dated 26 August 2014, the parcel of land with site area of 104.69 mu as stipulated in Note 1 was changed to another parcel of land with site area of 104.01 mu.

3. Pursuant to the State-owned Land Use Rights Grant Contract – No. 36012220110127G044 dated 1 February 2011, the land use rights of a parcel of land of the Development have been granted to the Target Company. Details of the said contract are as follows:

Parcel No.:	2010G044
Site Area:	30,206.66 sq.m.
Usage:	Commercial and residential
Land Use Term:	Commercial: 40 years Residential: 70 years
Plot Ratio:	Not more than 3.0 and not less than 1.27
Building Height:	Base on the requirements of town planning
Building Density:	Not more than 35%
Green Ratio:	Not less than 30%
Building Covenant:	The construction work has to be commenced before 1 May 2011 and completed before 1 May 2013.
Consideration:	RMB13,035,687

4. Pursuant to the supplementary agreement to the State-owned Land Use Rights Grant Contract – No. 36012220110127G044 dated 26 August 2014, the parcel of land with site area of 45.31 mu as stipulated in Note 3 was changed to another parcel of land with site area of 45.68 mu.

5. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of two parcels of land of the Development have been granted to the Target Company. Details of the said certificates are as follows:

Certificate No.	**Issue Date**	**Site Area** *(sq.m.)*	**Use and Expiry Date**
Xin Guo Yong (2014) No. 08025	27 August 2014	30,453.33	Commercial: 31 January 2051 Residential: 31 January 2081
Xin Guo Yong (2014) No. 08026	27 August 2014	69,340.00	Commercial: 31 January 2051 Residential: 31 January 2081
	Total:	**99,793.33**	

6. Pursuant to the Construction Land Planning Permits – Di Zi Nos. 360122201410037 Huan Zheng and 360122201410038 Huan Zheng both dated 8 October 2014, the Target Company was permitted to use two parcels of land with a total site area of 149.69 mu for commercial and residential uses.

7. Pursuant to the following Construction Work Planning Permit, the construction work of the Property was approved. Details of the said permit are as follows:

Certificate No.	Issue Date	Portion	Gross Floor Area *(sq.m.)*
Jian Zi No. 36012220150001645 Huan Zheng	4 June 2015	Building D (Kindergarten) (Phase I)	2,376.22

8. Pursuant to the following Construction Work Commencement Permit, the construction work of different portions of Phase I of the Development was approved for commencement. Details of the said permit are as follows:

Certificate No.	Issue Date	Portion	Gross Floor Area *(sq.m.)*
No. 360122201507100101	10 July 2015	Building Nos. 1 – 4, Buildings A, B & C, (Commercial), Building D (Kindergarten), Basement of Building No. 1 (Phase I)	117,857.01

9. Pursuant to the following Record Form of Completion Acceptance, the construction works of the Property have been examined and such examinations have been recorded. Details of the said record forms are as follows:

Record Form No.	Issue Date	Portion	Gross Floor Area *(sq.m.)*
Xin Jian (2018) No. 010	5 January 2018	Building D (Phase I)	2,376.22

10. As advised by the Company, the total development cost to be expended for Phase I of the Development was approximately RMB3,000,000.

11. In the course of our valuation, we have ascribed no commercial value to the Property as the relevant Building Ownership Certificate and/or Pre-sale Permit have not been obtained. For your indicative purpose, assuming that the relevant Building Ownership Certificate and/or Pre-sale Permit have been obtained, the market value of the Property was in the sum of RMB8,500,000 as at the valuation date.

12. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

    i. the Target Company has legally obtained the land use rights of the Property and is entitled to occupy, use and develop the land use rights. The Target Company is also entitled to transfer, lease, mortgage or by other legal means dispose of the land use rights without paying extra land grant fee or land premium, provided that the relevant laws, regulations and requirements stated in related agreements have been conformed;

    ii. the maximum land idle fee is RMB2,607,137.4 for Land Plot No. 2010G044 and RMB6,254,180.6 for Land Plot No. 2010G043 respectively. According to the Company, due to the road construction work by some relevant government departments, the Target Company signed a supplementary agreement with the grantor and the land administration bureau on 26 August 2014, which agreed that the land occupation problem can be resolved by the mean of land exchange. However, the demolition matters of the Property still had not been resolved before July of 2018, which greatly affect the progress of the construction work of the Property. The situation stated by the Company belongs to the circumstances as stipulated in Rule No. 8 of the Disposal Measures of Idle Land (閑置土地處置辦法) and therefore, the Company can make application to the Land Resource Bureau that Rule No. 14 of the Disposal Measures of Idle Land is not applicable for collecting the land idle fee from them. The risk of being fined for land idle fee is low;

    iii. the Target Company has obtained the requisite certificates and approvals for developing the Property and such certificates and approvals have not been cancelled, amended or terminated. The Target Company is entitled to develop the Property according to the aforesaid certificates and approvals;

    iv. after the Property has been completed and examined, the Target Company can make use of the relevant State-owned Land Use Rights Certificates, Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and other construction work completion examination documents to apply for the Building Ownership Certificates from the relevant real estate administration bureau. After obtaining all the construction work completion examination documents, the Target Company has no substantial legal obstacles to obtain the relevant initial house registration, provided that the construction works has been commenced and completed according to the aforesaid construction approvals;

    v. the Property is subject to various mortgages and those mortgages have been registered in the relevant real estate and land administration bureau;

    vi. up to 18 April 2019, no seizure and cancellation for the land use rights of the Property has been found;

vii. the Property has been leased out as kindergarten. According to the Company, due to the relevant requirements set out in the Notice regarding the Treatment Procedures for Kindergarten by the People's Government of Jiangxi Province (江西省人民政府辦公廳關於印發江西省城鎮小區配套幼兒園專項治理工作方案的通知) - Gan Fu Ting Zi (2019) No. 33, real estate title certificate cannot be obtained for the Property. There are no specific laws and regulations stating the applicable fines under this circumstance and, no reason and basis have been found for leving a fine against the Target Company. According to the Record Form of Completion Acceptance – Xin Jian (2018) No. 010, the Target Company can obtain the ownership rights for the Property provided that the Property has been built legally, and is entitled to own, use and lease out the Property before the Property has been transferred or mortgaged. According to the aforesaid notice, it also states that kindergarten has to be transferred to local educational department under different circumstances and, for kindergarten which has been used for other purposes, effective measure has to be taken for repossessing the premise. Therefore, there exists a possibility for the Property to be repurchased or repossessed by the government; and

viii. the tenancy agreement of the Property has not violated any laws or compulsory provisions and statutory invalidity has not been found. If the Property has been repurchased or repossessed by the government, according to the aforesaid notice, the Property should be run by the educational department as a public kindergarten or, entrusted to other party to run as a public interest kindergarten, whereas a profit-making kindergarten is not allowed. Therefore, the Target Company may lose the rights to own, use and lease out the Property.

13. As per the specific instruction from the Company, we have also valued the Property as at 31 October 2018, which was held for investment as advised by the Company as at this valuation date. In the course of our valuation, we have ascribed no commercial value to the Property as the relevant Building Ownership Certificate and/or Pre-sale Permit have not been obtained. For indicative purpose, assuming that the relevant Building Ownership Certificate and/or Pre-sale Permit have been obtained, the market value of the Property was in the sum of RMB8,500,000 as at this valuation date.

VALUATION REPORT

Group III – Property held under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2019
3.	Phase II of Rongzhou Gangjiucheng (容州港九城), South of 320 National Highway and East of Chuangye Middle Avenue, Wangcheng New District, Xinjian District, Nanchang City, Jiangxi Province, PRC	The Development is a residential/commercial development being erected on two parcels of land with a total site area of 99,793.33 sq.m.. The Development is situated in Wangcheng New District of Xinjian District of Nanchang. The immediate locality is a newly-developed residential area with some industrial developments in the vicinity. According to the latest development proposal provided by the Company, the Property comprises Phase II of the Development and will comprise various retail, residential and office units with a total gross floor area of approximately 202,895.31 sq.m. and 1,425 car parking spaces. Details of the uses and approximate gross floor areas of the retail, residential and office units of the Property are as follows: **Portion** / **Approximate gross floor area** *(sq.m.)* Residential 181,260.35 Retail 4,218.98 Commercial Arcade 5,275.86 Office 12,140.12 **Total: 202,895.31** The Property is scheduled for completion in phase between 2019 and 2021. The land use rights of the Property have been granted for two concurrent terms due to expire on 31 January 2051 for commercial use and 31 January 2081 for residential use respectively.	As advised by the Company, the Property was under development as at the valuation date.	RMB722,000,000

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 36012220110127G043 dated 1 February 2011, the land use rights of a parcel of land of the Development have been granted to the Target Company. Details of the said contract are as follows:

Parcel No.:	2010G043
Site Area:	69,793.33 sq.m.
Usage:	Commercial and residential
Land Use Term:	Commercial: 40 years Residential: 70 years
Plot Ratio:	Not more than 3.0 and not less than 1.27
Building Height:	Base on the requirements of town planning
Building Density:	Not more than 35%
Green Ratio:	Not less than 30%
Building Covenant:	The construction work has to be commenced before 1 May 2011 and completed before 1 May 2013.
Consideration:	RMB31,270,903

2. Pursuant to the supplementary agreement to the State-owned Land Use Rights Grant Contract – No. 36012220110127G043 dated 26 August 2014, the parcel of land with site area of 104.69 mu as stipulated in Note 1 was changed to another parcel of land with site area of 104.01 mu.

3. Pursuant to the State-owned Land Use Rights Grant Contract – No. 36012220110127G044 dated 1 February 2011, the land use rights of a parcel of land of the Development have been granted to the Target Company. Details of the said contract are as follows:

Parcel No.:	2010G044
Site Area:	30,206.66 sq.m.
Usage:	Commercial and residential
Land Use Term:	Commercial: 40 years Residential: 70 years
Plot Ratio:	Not more than 3.0 and not less than 1.27
Building Height:	Base on the requirements of town planning
Building Density:	Not more than 35%
Green Ratio:	Not less than 30%
Building Covenant:	The construction work has to be commenced before 1 May 2011 and completed before 1 May 2013.
Consideration:	RMB13,035,687

4. Pursuant to the supplementary agreement to the State-owned Land Use Rights Grant Contract – No. 36012220110127G044 dated 26 August 2014, the parcel of land with site area of 45.31 mu as stipulated in Note 3 was changed to another parcel of land with site area of 45.68 mu.

5. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of two parcels of land of the Development have been granted to the Target Company. Details of the said certificates are as follows:

Certificate No.	**Issue Date**	**Site Area** *(sq.m.)*	**Use and Expiry Date**
Xin Guo Yong (2014) No. 08025	27 August 2014	30,453.33	Commercial: 31 January 2051 Residential: 31 January 2081
Xin Guo Yong (2014) No. 08026	27 August 2014	69,340.00	Commercial: 31 January 2051 Residential: 31 January 2081
	Total:	**99,793.33**	

6. Pursuant to the Construction Land Planning Permits – Di Zi Nos. 360122201410037 Huan Zheng and 360122201410038 Huan Zheng both dated 8 October 2014, the Target Company was permitted to use two parcels of land of the Development with a total site area of 149.69 mu for commercial and residential uses.

7. Pursuant to the following Construction Work Planning Permits, the construction works of different portions of Phase I of the Development were approved. Details of the said permits are as follows:

Certificate No.	**Issue Date**	**Portion**	**Gross Floor Area** *(sq.m.)*
Jian Zi No. 36012220160000179	30 September 2016	Building No. 5 (Phase II)	Residential: 26,637.26 Commercial: 914.68 Community Room: 575.18
Jian Zi No. 36012220160000180	30 September 2016	Building No. 6 (Phase II)	Residential: 11,429.72 Commercial: 1,005.10 Community Room: 277.58
Jian Zi No. 36012220160000181	30 September 2016	Building No. 7 (Phase II)	Residential: 11,429.72 Commercial: 993.58 Property Service Room: 280.22
Jian Zi No. 36012220160000182	30 September 2016	Building No. 8 (Phase II)	Residential: 26,656.46 Commercial: 1,210.53 Property Service Room: 265.56 Fire Service Room: 87.34
Jian Zi No. 36012220160000231	27 December 2016	Building No. 9 (Phase II)	Residential: 14,702.88 Mezzanine Floor: 416.23
Jian Zi No. 36012220160000232	27 December 2016	Building No. 10 (Phase II)	Residential: 14,702.88 Mezzanine Floor: 416.23
Jian Zi No. 36012220160000233	27 December 2016	Building No. 11 (Phase II)	Residential: 12,740.08 Commercial: 1,442.13
Jian Zi No. 36012220160000234	27 December 2016	Building No. 12 (Phase II)	Residential: 25,956.69 Mezzanine Floor: 731.57

Certificate No.	Issue Date	Portion	Gross Floor Area (sq.m.)
Jian Zi No. 36012220160000235	27 December 2016	Building No. 13 (Phase II)	Residential: 11,230.36 Mezzanine Floor: 373.15
Jian Zi No. 36012220160000236	27 December 2016	Building No. 14 (Phase II)	Residential: 25,956.69 Mezzanine Floor: 731.57
Jian Zi No. 36012220160000237	27 December 2016	Building E (Phase II)	Office: 10,975.47 Commercial 6,427.30
Jian Zi No. 36012220160000238	27 December 2016	Basement (Phase II)	Basement: 45,039.30

8. Pursuant to the following Construction Work Commencement Permits, the construction works of different portions of Phase I of the Development were approved for commencement. Details of the said permits are as follows:

Certificate No.	Issue Date	Portion	Gross Floor Area (sq.m.)
No. 360122201610310101	31 October 2016	Building Nos. 5 – 8 (Phase II)	81,762.93
No. 360122201704270101	27 April 2017	Building Nos. 9 – 14, Building E (Office) and Basement (Phase II)	171,842.53

9. Pursuant to the following Pre-sale Permits, different portions of Phase I of the Development were allowed for pre-sale. Details of the said permits are as follows:

Certificate No.	Issue Date	Portion	Gross Floor Area (sq.m.)
(Xin) Fang Yu Shou Zheng No. 2017017	15 March 2017	Building No. 5 (Phase II)	27,509.72
(Xin) Fang Yu Shou Zheng No. 2017026	6 April 2017	Building Nos. 6 & 7 (Phase II)	24,830.62
(Xin) Fang Yu Shou Zheng No. 2017034	27 April 2017	Building No. 8 (Phase II)	27,836.72
(Xin) Fang Yu Shou Zheng No. 20180006	23 March 2018	Building No. 9 (Phase II)	14,712.32

Certificate No.	Issue Date	Portion	Gross Floor Area *(sq.m.)*
(Xin) Fang Yu Shou Zheng No. 2017084	28 September 2017	Building No. 10 (Phase II)	14,712.32
(Xin) Fang Yu Shou Zheng No. 2018001	15 January 2018	Building No. 13 (Phase II)	11,239.02
(Xin) Fang Yu Shou Zheng No. 2017070	10 August 2017	Building No. 14 (Phase II)	25,976.64

10. As advised by the Company, various residential and retail units of the Property with a total gross floor area of 181,774.63 sq.m. and 547 car parking spaces have been pre-sold/subscribed at a total consideration of approximately RMB1,537,000,000. Accordingly, we have taken into account the said consideration in our valuation.

11. The market value of the Property as if completed as at the valuation date was RMB1,753,000,000.

12. As advised by the Company, the total construction cost incurred for the Property as at the valuation date was approximately RMB344,800,000 whereas the total construction cost to be incurred was approximately RMB511,000,000. In the course of our valuation, we have taken into account the said amounts in our valuation.

13. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

    i. the Target Company has legally obtained the land use rights of the Property and is entitled to occupy, use and develop the land use rights. The Target Company is also entitled to transfer, lease, mortgage or by other legal means dispose of the land use rights without paying extra land grant fee or land premium, provided that the relevant laws, regulations and requirements stated in related agreements have been conformed;

    ii. the maximum land idle fee is RMB2,607,137.4 for Land Plot No. 2010G044 and RMB6,254,180.6 for Land Plot No. 2010G043 respectively. According to the Company, due to the road construction work by some relevant government departments, the Target Company signed a supplementary agreement with the grantor and the land administration bureau on 26 August 2014, which agreed that the land occupation problem can be resolved by the mean of land exchange. However, the demolition matters of the Property still had not been resolved before July of 2018, which greatly affect the progress of the construction work of the Property. The situation stated by the Company belongs to the circumstances as stipulated in Rule No. 8 of the Disposal Measures of Idle Land (閑置土地處置辦法) and therefore, the Company can make application to the Land Resource Bureau that Rule No. 14 of the Disposal Measures of Idle Land is not applicable for collecting the land idle fee from them. The risk of being fined for land idle fee is low;

iii. the Target Company has obtained the requisite certificates and approvals for developing the Property and such certificates and approvals have not been cancelled, amended or terminated. The Target Company is entitled to develop the Property according to the aforesaid certificates and approvals;

iv. the Target Company is entitled to presell the area of the Property as stated in the aforesaid Pre-sale Permits;

v. after the Property has been completed and examined, the Target Company can make use of the relevant State-owned Land Use Rights Certificates, Construction Land Planning Permits, Construction Work Planning Permits, Construction Work Commencement Permits and other construction work completion examination documents to apply for the Building Ownership Certificates from the relevant real estate administration bureau. After obtaining all the construction work completion examination documents, the Target Company has no substantial legal obstacles to obtain the relevant initial house registration, provided that the construction works has been commenced and completed according to the aforesaid construction approvals;

vi. the Property is subject to various mortgages and those mortgages have been registered in the relevant real estate and land administration bureau; and

vii. up to 18 April 2019, no seizure and cancellation for the land use rights of the Property has been found.

14. As per the specific instruction from the Company, we have also valued various residential, office and retail units and car parking spaces of Phase II of the Development at a total market value of RMB587,000,000 as at 31 October 2018, which were held under development as advised by the Company as at this valuation date. Details of the uses and the approximate gross floor area for those portions are as follows:

Uses	**Approximate Gross Floor Area** *(sq.m.)*	**Number of Car Parking Spaces**
Phase II		
Residential	181,260.35	
Retail	4,218.98	
Commercial Arcade	5,275.86	
Office	12,140.12	
Car Parking Space		1,425
Total:	202,895.31	1,425

The following is an English translation of the summary of the valuation report of the Target Company. Such report is prepared in Chinese and this English translation is provided for your reference only. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Valuation Report of the Total Shareholders Equity in Respect of the Equity Transfer of Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）
Jiazhenghua Ping Bao Zi [2018] No. 0109

To Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）,

We have been engaged by the company to carry out a valuation on the total shareholders' equity of Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）(hereinafter referred to as the "appraised enterprise") concerning the transfer of equity of the appraised enterprise by the company as at 30 June 2018 (the "Valuation Date") pursuant to generally accepted asset valuation methods, based on the principles of independence, objectivity, scientificity and fairness and in accordance with the requirements of relevant laws and regulations of the PRC. The details of our valuation are set forth below.

I. ENTRUSTING PARTY AND OTHER USERS OF THE VALUATION REPORT

(I) Entrusting party

The entrusting party of this valuation is Nanchang Rongzhou Investment Company Limited.

(II) Other users of the report and relevant parties

Besides the entrusting party, users of this valuation report also include other relevant parties, who need to use this report for the purpose of effecting the equity transfer in relation to this valuation under the requirements of relevant laws and regulations in the PRC, such as the transferor of such equity transfer and the appraised enterprise, as well as the government authorities concerned.

II. INFORMATION ABOUT THE APPRAISED ENTERPRISE

(I) General information

As at the Valuation Date, the general information of the appraised enterprise is as follows:

Item	Description
Name of company	Nanchang Rongzhou Investment Company Limited* (南昌市容州投資有限公司)
Domicile	both sides of Wuhuazhong Road, South of 320 National Highway, Wangcheng New District, Xinjian District, Nanchang City, Jiangxi Province* (江西省南昌市新建區望城新區320國道南面物華中路兩側)
Legal representative	Li Hanchao (李漢朝)
Type of enterprise	limited liability company
Business scope	property development; investment in property management, hotels, construction projects, landscaping projects, smart community projects, and security surveillance projects; property investment; and property management (any of the above projects which require permits, qualification certificates or other approval documents shall be carried out after obtaining relevant valid permits, qualification certificates or other approval documents)
Date of establishment	3 September 2010
Operating period	3 September 2010 to 2 September 2030

(II) Shareholding structure

As at the Valuation Date, the shareholding structure of the appraised enterprise is as follows:

Unit: RMB10,000

Name of shareholder	Contribution amount	Contribution percentage (%)	Type of shareholder
Shenzhen Rongzhou Cultural Industry Investment Company Limited*（深圳市容州文化產業投資有限公司）	1,000	100.00	Corporation

(III) Key financial information of the appraised enterprise

The assets and liabilities, owners' equity and operating position of the appraised enterprise as at the Valuation Date are as follows:

Unit: RMB

Item	(unaudited) As of 30 June 2018
Total assets	375,145,710.24
Total liabilities	414,981,604.72
Owner's equity	(39,835,894.48)
Revenue *(Note)*	236,966,648.3
Gross profit *(Note)*	84,811,599.63
Net profit *(Note)*	10,490.12

Note: The amounts of revenue, gross profit and net profit for the period ended 30 June 2018 were nil, nil, and net loss of HK$7,256,000 respectively. The variance to the amounts mentioned in the valuation report was mainly arisen from the discrepancy in accounting practice and treatment on revenue, cost and other expenses recognized during the period.

(IV) Relationship between the entrusting party and the appraised enterprise

The entrusting party and the appraised enterprise are the same company.

III. PURPOSE OF THE VALUATION

In order to provide services for the transfer of equity in Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）by the entrusting party, we have carried out a valuation on the net assets, representing all of the shareholders' equity, of the appraised enterprise, as a reference of market value by the transfer of equity in Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）for the entrusting party.

This valuation report is for no other purposes and is only in effect under such valuation purpose.

IV. SUBJECT AND SCOPE OF THE VALUATION

(I) Subject of the valuation

The subject of this valuation is the value of the entire shareholders' equity of Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）.

(II) Scope of the valuation

The scope of this valuation covers the assets and liabilities presented in the financial position statement of the appraised enterprise as at the Valuation Date, details of which are as follows:

Unit: RMB

Assets	Closing balance (unaudited)	Liabilities and owners' equity (or shareholders' equity)	Closing balance (unaudited)
Current assets:		Current liabilities:	
Cash and cash equivalents	51,012,613.97	Short-term borrowings	–
Trading financial assets	–	Trading financial liabilities	–
Bills receivable	–	Bills payable	–
Receivables	–	Payables	14,815,700.24
Prepayments	–	Receipts in advance	442,028,371.05
Interest receivable	–	Payroll payable	–
Dividend receivable	–	Taxes payable	(44,059,606.00)
Other receivables	8,692,924.59	Interest payable	–
Inventories	314,868,236.71	Dividends payable	–
Non-current assets due within one year	–	Other payables	2,197,139.43
Other current assets	–	Non-current liabilities due within one year	–
Total current assets	374,573,775.27	Other current liabilities	–
Non-current assets:	–	Total current liabilities	414,981,604.72

Assets	Closing balance (unaudited)	Liabilities and owners' equity (or shareholders' equity)	Closing balance (unaudited)
Available-for-sale financial assets	–	Non-current liabilities:	
Held-to-maturity investments	–	Long-term borrowings	–
Long-term receivables	–	Bonds payable	–
Long-term equity investments	–	Long-term payables	–
Investment property	–	Special payables	–
Fixed assets	456,476.51	Estimated liabilities	–
Construction under progress	–	Deferred income tax liabilities	–
Construction materials	–	Other non-current liabilities	–
Disposal of fixed assets	–	Total non-current liabilities	–
Productive biological assets	–	Total liabilities	414,981,604.72
Oil and gas assets	–	Net assets	(39,835,894.48)
Intangible assets	115,458.46		
Development expenses	–		
Goodwill	–		
Long-term deferred expenses	–		
Deferred income tax assets	–		
Other non-current assets	–		
Total non-current assets	571,934.97		
Total assets	375,145,710.24		

Note: 1. Inventories represent development costs and expenses such as land premium, upfront development costs, infrastructure and construction and installation engineering costs. The land use rights are located at South of 320 National Highway and East of Chuangye Middle Avenue, Wangcheng New District, Nanchang City, with a total area of 99793.33 sq.m. and are for commercial and residential uses. The expiration dates of the land use rights are 31 January 2051 for commercial use and 31 January 2081 for residential use respectively. The certificates of land use rights are Xin Guo Yong (2014) No. 08025 and Xin Guo Yong (2014) No. 08026.

2. There are 6 items of transportation equipment, of which 1 is an electromobile. They were purchased during the period from 2011 to 2017 and can all operate properly.

3. There are 95 items of electronic and other equipment and office furniture, which were purchased during the period from 2011 to 2017 and can all function properly.

4. Intangible assets represent office and finance software, and all of them can function properly.

V. CATEGORY OF VALUE AND ITS DEFINITION

Having taken into full consideration of factors including the valuation purpose, market conditions and conditions of the appraised enterprise, the value used in this valuation has been determined as market value.

Market value referred to in this report represents the estimated amount for which the appraised enterprise should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction where both parties are acting rationally and without compulsion, namely the most probable price that would be reasonably received to sell an asset in an orderly transaction in the open market.

VI. VALUATION DATE

The Valuation Date of this engagement is 30 June 2018. Such a date is beneficial for realizing the purpose of the valuation and can reduce or avoid subsequent adjusting events as it is the end of the accounting period.

The Valuation Date was determined by the entrusting party, the appraised enterprise and other relevant parties after mutual consultation in relation to the contemplated equity transfer.

The basis of pricing adopted in this valuation report is based on the standards on the Valuation Date.

VII. VALUATION ASSUMPTIONS

The assumptions adopted in this asset valuation are as follows:

1. No consideration is given to the factor of inflation for the purpose of calculating the indicators adopted in this valuation;

2. There are no significant changes in relevant laws and regulations that have an impact on the operation of the company and the basic policies of the industry in which the company operates in the PRC; there will be no significant changes in the macro-economic conditions; and there are no significant changes in the political, economic and social circumstances in the region where the company operates;

3. There are no significant changes in the policies on bank interest rate, exchange rate and taxation in the PRC;

4. There are no significant changes in the corporate accounting policies and methods;

5. There are no significant changes to the management team of the company, and the management continues to be committed to operating the company under the current operating model and operating planning on a going concern basis;

6. Save as otherwise disclosed in the valuation report, the company has fully complied with all the relevant national and local laws and regulations currently in effect;

7. There are no significant adverse impacts on the company resulting from other unexpectable incidents and force majeure events;

8. The title and accounting information provided by the appraised enterprise is true, legal and complete;

9. The assets of the appraised enterprise are under continuing use.

In the event any or all of the above assumptions change, this valuation report and the valuation results would generally cease to be effective automatically.

VIII. VALUATION BASIS

(I) File of the equity transfer

The engagement letter of asset valuation entered into between the entrusting party and our company.

(II) Legal and regulatory basis

1. Asset Appraisal Law of the People's Republic of China (considered and approved at the 21st Session of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);

2. Companies Law of the People's Republic of China (Amended at the Sixth Session of the Standing Committee of the Twelfth National People's Congress on 28 December 2013);

(III) Major valuation criteria basis

1. Basic Standards for Asset Valuation (Cai Ping [2017] No.43);

2. Code of Professional Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);

3. Practicing Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2017] No. 31);

4. Practicing Guidelines for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2017] No. 32);

5. Practicing Guidelines for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);

6. Practicing Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2017] No. 34);

7. Practicing Guidelines for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 34);

8. Practicing Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 34);

9. Practicing Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2017] No. 36);

10. Practicing Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);

11. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);

12. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);

13. Guiding Opinions on Legal Ownership of Appraised Entities (Zhong Ping Xie [2017] No. 48).

IX. VALUATION METHODS

According to the Standards for Asset Valuation and Guiding Opinions on Enterprise Valuation (Trial), certified asset valuer shall, for the purpose of valuation of a business enterprise, analyse the applicability of three basic asset valuation methods, namely income approach, market approach and cost approach and determine to adopt one or more of the appropriate method(s) based on relevant conditions including the subject of valuation, type of value and the availability of information.

(I) Market approach

Market approach for enterprise valuation is a method to determine the value of the subject by comparing with comparable enterprises, enterprises with comparable market transactions and equity assets such as shareholding interests and securities.

Adopting market approach in asset valuation should meet two most basic preconditions: one is transaction market of the asset shall be open and active; and the other is comparable assets and relevant transactions shall be available in the open market. The comparability of assets and their transactions means the selected comparable assets and their transactions recently have occurred in the open market and are the identical or similar to the valued assets and assets business. The assets of these completed transactions can be used as the reference for the subject of valuation and their transaction data is the major basis for analysis and comparison. The comparability of assets and their transactions is reflected in the following aspects: (1) the reference and the subject of valuation are functionally comparable, including the application or performance of the identical or similar; (2) the market conditions of the reference and the subject of valuation are comparable, including market supply-demand relationship, competition and trading conditions; (3) the interval between the effective time of the reference and the Valuation Date should not be too long and shall be within a moderate time frame, and the impact of time on the asset value can be adjusted.

(II) Income approach

The income approach for enterprise valuation is a method to determine the value of the subject by capitalizing or discounting the projected income of the subject of valuation. Specifically, it is an asset valuation approach by estimating the projected future income of the subject of valuation and adopting appropriate capitalizing or discounting rate to capitalize or discount such projected future income into the present value and then sum up to determine the market value of the subject of valuation on the Valuation Date.

The preconditions for the adoption of income approach shall be: (1) the projected future income of the valued asset can be predicted and measured in monetary term; (2) the risk exposure to the asset owner for obtaining the projected income can also be predicted and measured in monetary term; (3) the expected term of profit-making of the valued asset can be predicted.

(III) Cost Approach

The cost approach in enterprise valuation (also known as asset accumulation method or asset-based approach) is an appraisal approach by which the value of the valuation target is determined on the basis of the reasonable evaluation of all items of the assets and liabilities of the enterprise. Valuation applying cost approach is mainly based on appraised enterprise's investigated asset and liability shown in its accounting statement as at Valuation Date and determines the market value of the appraised enterprise's equity by evaluating such asset and liability.

The basic concept of cost approach is resorting to reproduction or replacement of the valued assets. Adopting cost approach to evaluate asset subjects to various pre-conditions, including: the valued assets are in the condition for continuing use or assumed to be in the condition for continuing use and expected return from valued assets will be able to support its own replacement and contributed capital. Where permissible, the price of an asset at which any prospective investor is willing to pay for investing such asset shall not exceed the existing acquisition and construction cost to acquire such asset. As there are abundant sources of data and information relating to reacquisition cost of valued assets and there are inherent connected and alternative relations between such assets' replacement cost and their prevailing market price and income current value, cost approach is widely used.

(IV) Selection of valuation methods

Having comparable(s) to the valuation target is one of the important preconditions for applying market approach to assets value evaluation. We have conducted search on domestic public market but found no reference case that was comparable to appraised enterprise's asset and transaction thereof, so we considered this case lacks of requisite condition for applying market approach. As a result, asset-based approach was adopted for this case.

The followings present a brief summary of evaluation approaches of each assets and liabilities.

(1) Monetary capital (including cash, bank deposits and other cash and cash equivalents): as for cash in hand, the evaluators had conducted cash counting and cross-checked the counting result with the cash amount as at the Valuation Date; and as for bank deposits, the evaluators had checked bank statement and bank reconciliation statement. Verified book value was recognized as appraised value.

(2) As for receivables, the evaluators had conducted verification and investigation to understand relevant situation, concrete analysis of the amount of sums, arrears of time and causes in connection thereof, creditability and operation and management status of debtors and etc. on a case by case basis and comprehensive analysis of the recoverability, and finally determined the appraised value of each item according to its recoverable amount.

(3) Inventory, which refers to the development cost, was comprised of premium, taxes, trading fee and upfront charge for acquired land. Thus, hypothetical development method was adopted for its evaluation.

(4) The equipment and machinery were primarily appraised based on cost approach.

The evaluators had, based on valuation breakdown of equipment and machinery provided by the company, attached necessary attention to its ownerships by verifying relevant contracts, invoices and other ownership certificates and accounting evidences, and made necessary verification to book values of equipment and machinery by reviewing relevant accounting voucher, equipment acquisition invoices, budget and final accounts information and analyzing depreciation policy and provision process. Professionals are organized to conduct on-site investigation and verification, review the operation, maintenance and production statistics of major equipment, understand the usage, maintenance, repair and technical transformation of the equipment with management and usage personnel, and conduct detailed onsite investigation and appraisal to major large scale key equipment. The evaluators had evaluated principally based on cost approach according to the characteristics of equipment and the details of data collected, the formula of which is as follows:

Appraised value = Total replacement cost × Newness rate

1 Determination of full replacement price

A Determination of full replacement price for equipment

For the major and key equipment in the production and operation process of enterprises with large value, the full replacement price mainly consists of equipment purchase price, transportation and miscellaneous expenses, installation and commissioning fees, other relevant expenses of engineering construction and cost of funds.

The basic formula is as follows:

Full replacement price = Purchase price + Transportation and miscellaneous expenses + Installation and comissioning fees + Other relevant expenses of engineering construction + Cost of funds

Equipment purchase price is mainly determined by market enquiries and inspection on quotation information of relevant equipment and appraisers with reference to relevant price information collected by us; for some newly and currently purchased equipment, the purchase price is determined according to the purchase price of enterprises on the basis of verifying the relevant accounting documents; for some equipment without market price, the purchase price is determined by the same category of epuipment purchase price according to replacement principle, in case of equipment with smaller improvement progress, which is determined by using goods price index method; in case of non-standard equipment, which is determined by using replacement accounting method.

Transportation and miscellaneous expenses are determined by reasonable calculation of percentage of equipment purchase price with reference to industrial standard of the relevant equipment and with the relevant market practice, distinguishing the level of difficulty between purchase location and transportation for equipment according to specified situations of each equipment.

Installation and comissioning fees are calculated and determined in accordance with the technical indicators of equipment such as characteristics, weight, installation difficulty and so on and a certain ration of equipment purchase price.

Other relevant expenses of engineering construction refer to other relevant expenses that, under relevant provisions, must be incurred by re-purchasing and constructing all fixed assets under current conditions after deducting land-related expenses and equipment and furniture purchase expenses, generally including: management fees of construction unit, survey and design fees, budget fees for preparation of construction drawing, project supervision fees, joint trial operation and commissioning fees and staff training fees. In the valuation process, such expenses were determined through analysis and calculation in accordance with the billing standards stipulated by the relevant national and local policies and market practices.

Cost of funds refers to the interest cost of investment in construction funds within a reasonable period of construction. In the valuation process, the cost of funds was determined according to the bank loan interest rate issued by the People's Bank of China and the reasonable construction period and assuming that the funds are evenly invested.

The basic formula is as follows:

Cost of funds = (Equipment purchase price + transportation and miscellaneous expenses + Installation and comissioning fees + Other relevant expenses of construction engineering) × Interest rate × (Reasonable construction period／2)

For general equipment and electrical equipment requiring less time to form fixed assets, with small value and no need for installation and low transportation and miscellaneous fees, the full replacement price is determined based on its purchase price and combination of specified situations.

B Determination of full replacement price for vehicles

Full replacement price for vehicles is determined based on the market selling price in the location of same category of vehicles on the date of assessment basis, corresponding purchase tax and vehicle inspection and licensing expenses. The basic formula is as follows:

Full replacement price = Vehicle purchase price + Vehicle purchase tax + Vehicle inspection and licensing expenses

2 Determination of newness rate

A Determination of newness rate for equipment

For the important and key machinery and equipment, the newness rate is determined as a weighted average of the life-based newness rate and field survey newness rate. The basic formula is as follows:

Newness rate = Life-based newness rate × 40% + Field survey newness rate × 60%

Based on the site survey, the valuers estimate the remaining useful life based on present technical condition of equipment, manufacturing quality, normal loading rate, repair and maintenance and technical modification of equipment, working condition and environment and serviced life of equipment to calculate and determine its life-based newness rate. The basic formula is as follows:

Life-based newness rate = Remaining useful life／(Serviced life + Remaining useful life) ×100%

The valuers conduct the detalied site survey through such aspects like designed useful life, manufactoring quality, pratical usage, utilization degree, the conditon of maintainance, outlook and competeness of equipment, according to rating conditions by using the results of field survey and main components to formulate scoring criteria and verifying and scoring each main conponents to calculate the field survey newness rate of the equipment. The basic formula is as follows:

Field survey newness rate = ∑ rating for individual item

For general equipment and electrical equipment requiring less time to form fixed assets line with small value and no need for installation and with low transportation and miscellaneous fees, the life-based newness rate is used as the new rate.

B Determination of the newness rate of vehicles

Pursuant to the Standards for Compulsory Retirement of Motor Vehicles of the PRC, the theoretical newness rate is determined by the application of either the useful life method or the driving mileage method, whichever is lower, and then is revised in accordance with the actual conditions of vehicles under onsite inspection to determine the newness rate of vehicles. The basic formula is set out as below:

Life-based newness rate = Remaining useful life/(Serviced life + Remaining useful life) ×100%

The newness rate is determined based on the professional and comprehensive judgments made by asset valuation professionals in light of technology, experience and site surveys.

(5) Valuation on other intangible assets: the valuer verified other intangible assets declared by the enterprise by referring to relevant contracts and invoices of the intangible assets, understanding their use on the spot and analyzing the amortization period and amortization amounts of the intangible assets. The valuation value is determined based on the verified book value.

(6) For liabilities, the valuation value is determined according to the actual liability items and amounts assumed by the property rights holders after the valuation purpose is realized.

X. PROCESS AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The overall valuation work was performed in five stages.

(I) Valuation preparation

In the valuation preparation stage, we accepted the entrustment of the entrusting party, reached an agreement with the entrusting party on the purpose of the valuation, the valuation benchmark date and the scope of the valuation, and formulated an asset valuation work plan.

(II) On-site valuation

In the on-site valuation stage, our principal of this engagement assisted the valued entity to conduct asset inspection and report the asset valuation declaration statements on the spot. Subsequently, the valuation team members entered the site to make a preliminary understanding of the valued assets, assisted the valued entity in the valued asset declarations and collected information required by the asset valuation according to the operational norms on asset valuation, guidance on enterprise valuation and the asset valuation needs. Main work was as follows:

1. Understood the financial system, operating status and the technical status of fixed assets of the enterprise by listening to the introduction by the relevant personnel of the valued entity on the overall situation of the enterprise and the history and current status of the valued assets;

2. Checked and identified the valuation declarations provided by the enterprise with relevant financial records of the enterprise, and collaborated with the enterprise to refine the identified problems;

3. Made a thorough inspection and verification on fixed assets as required by the valuation specifications according to the valuation declaration form;

4. Searched and collected the title certificates of the valued assets;

5. Determined the specific valuation method of the target enterprise based on the actual status and characteristics of the valued assets;

6. Made preliminary valuation and estimate on the assets and liabilities within the scope of the valuation if they were inspected and verified.

(III) Process of selecting the valuation method, collecting information and making estimates

Based on the on-site valuation, we selected the appropriate valuation method according to the conditions of the valuation target and collected market information applicable to each method. After the scientific calculation, the preliminary valuation value is arrived at.

(IV) Valuation summary

After arriving at the preliminary valuation value, we analyzed and summarized the preliminary valuation results, made necessary adjustments, revisions and improvements to the valuation results, and then repeatedly modified and revised the report according to the internal three-level audit system and program on the asset valuation report of the valuer.

(V) Report submission

We drafted an asset valuation report based on the abovementioned work, exchanged opinions with the entrusting party and the valued entity on the valuation results and issued a formal asset valuation report after comprehensively considering the relevant opinions.

XI. APPRAISAL CONCLUSION

We, according to the national laws, regulations, rules and appraisal standards in respect of asset appraisal, on the basis of the principle of independence, fairness, scientificity and objectivity, and in compliance with the statutory and necessary procedures in relation with to asset appraisal, performed the valuation on Total Shareholders' Equity of Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）as of the Valuation Date by asset-based method.

As at the Valuation Date, Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）showed that the book value of total assets was RMB375,145,800 and the appraised value of which was RMB445,953,400, with the incremental value of RMB70,807,600 or 18.87%; the book value of the total liabilities was RMB414,981,600 and the appraised value of which was RMB414,981,600, with no incremental value; the book value of net assets was negative RMB39,835,800 and the appraised value of which was RMB30,971,800, with the incremental value of RMB70,807,600 or -177.75%.

Unit: RMB'000

	Item	Book value	Appraised value	Increase or decrease	Incremental rate %
		A (unaudited)	C	D=C-B	E=D/B×100%
1	Current assets	374,574	444,925	70,351	18.78
2	Non-current assets	572	1,028	456	79.77
3	Of which: Available-for-sale financial assets	–	–	–	–
4	Held-to-maturity investments	–	–	–	–
5	Long-term receivables	–	–	–	–
6	Long-term equity investments	–	–	–	–
7	Investment properties				
8	Fixed assets	457	913	456	99.96
9	Construction in progress	–	–	–	–
10	Construction materials				
11	Disposal of fixed assets	–	–	–	–
12	Productive biological assets	–	–	–	–
13	Oil and gas assets	–	–	–	–
14	Intangible assets	116	116	–	–
15	R&D expenses	–	–	–	–
16	Goodwill	–	–	–	–
17	Long-term deferred expenses	–	–	–	–
18	Deferred income tax assets	–	–	–	–
19	Other non-current assets	–	–	–	–
20	**Total assets**	**375,146**	**445,953**	**70,807**	**18.87**
21	Current liabilities	414,982	414,982	–	–
22	Non-current liabilities	–	–	–	–
23	**Total liabilities**	**414,982**	**414,982**	**–**	**–**
24	**Net assets (Owner's equity)**	**(39,836)**	**30,972**	**70,807**	**–177.75**

The appraised value of total shareholders' equity of Nanchang Rongzhou Investment Company Limited*（南昌市容州投資有限公司）was RMB30,971,800.

XII. NOTES ON SPECIAL MATTERS

(I) Property Rights Defects

The asset valuers had paid necessary attention to the legal ownership of the valuation target, but no assurance in any form will be given in this regard. All disputes arising from property rights of the valuation target shall not be attributed to our company and the asset valuers who perform appraisal engagement.

(II) Uncertainties with Pending Matters and Legal Disputes

As for other matters that may affect the valuation results, no special explanations were given from the entrusting party and the valuation target when valuers carried out the valuation. In the event that the valuers were generally unaware based on their professional experience, the appraisal agency and the valuers shall not assume any relevant liabilities.

(III) Material Subsequent Matters

The appraisal conclusion reflects the prevailing fair market value of valuation target determined under the principles within open market for the purpose of this valuation, without considering the impact of mortgages and guarantees that may undertake in the future and of additional payment that may be paid by special trading parties on the appraisal price, nor taken into account taxes owed on such assets and any restrictions which may affect the value of such assets, such as fees and taxes to be borne, in the case that such assets are sold. In addition, this report does not take into account the impact of the changes in national macroeconomic policies and natural forces and other force majeure on asset price.

(IV) Others

1. During the valid period of the appraisal conclusion after Valuation Date, if there are changes in the quantity of assets and the appraisal standards, the following principles shall be applied and the appraisal conclusion is unavailable for use directly:

   (1) When there are changes in the quantity of assets, the amount of assets shall be adjusted according to the original appraisal method;

   (2) When the asset price fluctuates greatly, which has a significant impact on the appraisal conclusion, the entrusting party shall promptly engage a qualified appraisal agency for revaluation.

2. The value of shareholders' equity in this valuation does not take into account the impact of premium or discount arising from partial equity transfer, nor does it take into account the impact of liquidity on this valuation result.

3. The financial statements of the appraised enterprise as at the Valuation Date have not been audited by Chinese certified public accountants.

Users of the valuation report should pay attention to the possible impact of the above special matters on the appraisal conclusion.

XIII. STATEMENT ON THE RESTRICTION ON USE OF THIS VALUATION REPORT

1. This valuation report is only intended to be used in accordance with the valuation purpose and uses specified herein. And we do not assume any responsibility for any loss arising from applying this report to other purposes by users of this report.

2. This valuation report is only intended to be used by the users set out herein. And we do not assume any responsibility for any loss arising from using this report by any other entity or individual.

3. Without our consent, the contents of this valuation report shall not be extracted, quoted or disclosed through any public media, unless otherwise required by relevant laws and regulations or otherwise agreed by the relevant parties.

4. This valuation report shall be effective for one year from the Valuation Date, i.e. from 30 June 2018 to 29 June 2019, which means this report can only be used if the period between the Valuation Date and the date of equity transfer is not over one year.

5. The valuation has been carried out assuming all the assumptions and use restrictions set out in this report have been fulfilled. These assumptions and use restrictions have been determined by appraisers in accordance with the valuation purpose and the actual conditions of the appraised enterprise and with reference to the actual local circumstances, and are objective and reasonable.

6. This valuation report shall have legal effect only after our seal is affixed hereon and signed by asset valuers.

7. This valuation report must be used in its entirety in order to be effective. And we do not assume any responsibility for any loss arising from using only part of the contents of the report.

8. In the event that the valuation conclusion is significantly impacted by any policy adjustments, the valuation shall be re-conducted based on new valuation date.

XIV. DATE OF THE VALUATION REPORT

The valuation report was issued on 13 October 2018.

XV. SEAL AND SIGNATURES OF APPRAISAL AGENCY AND ASSET VALUERS

Shenzhen Jiazhenghua Asset Appraisal Real Estate Appraisal Company Limited

Asset valuer: Xiao Hongyun (肖紅雲)

Asset valuer: Wu Haiyuan (吳海元)

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 INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) 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 such provisions of the SFO); or (ii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules; or (iii) which were required to be recorded in the register to be kept by the Company under section 352 of the SFO are as follows:

i. Long positions in the issued Shares

Name of Director	*Notes*	Capacity or nature of interests	Number of Shares held	Percentage of the total issued share capital of the Company
Cheng Hung Mui	*1*	Interest of controlled corporation	785,887,533	65.68%
Sheng Siguang	*2*	Interest of spouse	13,994,253	1.17%

Notes

1. The entire issued share capital of Double Key International Limited is wholly owned by Ms. Cheng Hung Mui, an executive Director. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the Shares held by Double Key International Limited pursuant to the SFO. As at the Latest Practicable Date, Double Key International Limited held 785,887,533 Shares and 37,500,000 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK$300,000,000 (at the conversion price of HK$1.60 per conversion share).

2. Mr. Sheng Siguang, who ceased to be the chief executive officer of the Company on 1 August 2019 and remains an executive Director of the Company, is the spouse of Ms. Wang Jin who is interested in 13,994,253 Shares. Mr. Sheng Siguang is deemed to be interested in all the Shares in which Ms. Wang Jin is interested in by virtue of the SFO.

ii. Long positions in the underlying Shares

Name of Director or chief executive	*Notes*	Capacity or nature of interests	Number of underlying Shares held	Percentage of the existing total issued share capital of the Company
Cheng Hung Mui	*1*	Interest of controlled corporation	37,500,000	3.13%
Tin Kong	*2*	Beneficial owner	2,000,000	0.17%
Chen Dekun	*2*	Beneficial owner	1,000,000	0.08%
Chan Wei	*2*	Beneficial owner	2,000,000	0.17%

Notes

1. The entire issued share capital of Double Key International Limited is wholly owned by Ms. Cheng Hung Mui, an executive Director. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the Shares held by Double Key International Limited pursuant to the SFO. As at the Latest Practicable Date, Double Key International Limited held 785,887,533 Shares and 37,500,000 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK$300,000,000 (at the conversion price of HK$1.60 per conversion share).

2. These Shares represent the underlying interest of the share options granted to the relevant Directors and chief executives of the Company under the share option scheme adopted by the Company on 13 June 2012. Please refer to the announcement of the Company dated 11 November 2016 for further details.

iii. Long positions in the shares of the associated corporations

Name of Director	Nature of interests	Name of associated corporation	Number of Shares held	Percentage of interest in the associated corporation
Cheng Hung Mui	Corporate Interest	Double Key International Limited	100	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are 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 as set out in Appendix 10 to the Listing Rules.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as it is details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Long positions

Name of substantial Shareholders	*Notes*	Capacity	Number of Shares held	Percentage of the total issued share capital of the Company
Cheng Hung Mui	*1*	Interest of controlled corporation	823,387,533	68.82%
Double Key International Limited	*1*	Beneficial owner	823,387,533	68.82%

Name of substantial Shareholders	*Notes*	Capacity	Number of Shares held	Percentage of the total issued share capital of the Company
Lankai Limited	*2*	Beneficial owner	100,000,000	8.36%
Li Yujun	*2*	Interest of controlled corporation	100,000,000	8.36%
Sheng Siguang	*3*	Interest of spouse	13,994,253	1.17%

Notes

1. The entire issued share capital of Double Key International Limited is wholly owned by Ms. Cheng Hung Mui, an executive Director. Therefore, Ms. Cheng Hung Mui is deemed to be interested in the Shares held by Double Key International Limited pursuant to the SFO. As at the Latest Practicable Date, Double Key International Limited held 785,887,533 Shares and 37,500,000 underlying Shares which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK$300,000,000 (at the conversion price of HK$1.60 per conversion share).

2. The entire issued share capital of Lankai Limited is owned by Mr. Li Yujun. Therefore, Mr. Li Yujun is deemed to be interested in the Shares held by Lankai Limited pursuant to the SFO.

3. Mr. Sheng Siguang, who ceased to be the chief executive officer of the Company on 1 August 2019 and remains an executive Director of the Company, is the spouse of Ms. Wang Jin and is accordingly deemed to be interested in the Shares directly held by Ms. Wang Jin pursuant to the SFO.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors are director(s) or employee(s) in the following companies, each of which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

a. Ms. Cheng Hung Mui, an executive Director, is the director of Double Key International Limited; and

b. Mr. Tin Kong, an executive Director, is the director of Double Key International Limited.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018, the date to which the latest published audited financial statements of the Group 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.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(1) the joint venture agreement dated 16 June 2017 entered into between Tesson New Energy (Shenzhen) Limited*（天臣新能源（深圳）有限公司）, Nanfang Black Sesame Group Company Limited*（南方黑芝麻集團股份有限公司）and Dalian Zhiyun Automatic Equipment Company Limited*（大連智雲自動化裝備股份有限公司）in relation to the establishment of Tesson New Energy Company Limited*（天臣新能源有限公司）("Tesson New Energy"), with a registered capital of RMB1,000 million which shall be contributed, on a pro rata basis, by Tesson New Energy (Shenzhen) Limited*, Nanfang Black Sesame Group Company Limited* and Dalian Zhiyun Automatic Equipment Company Limited* for the amounts of RMB600 million, RMB300 million and RMB100 million respectively;

(2) the conditional sale and purchase agreement dated 22 September 2017 entered into between Kith Limited, the Company, AMVIG Investment Limited and AMVIG Holdings Limited, in relation to the disposal of the entire issued share capital of Outstanding Viewpoint Limited and the sale loan amounted to approximately HK$204 million for a consideration of HK$700 million;

(3) the capital increase agreement dated 9 May 2018 entered into between Nanjing Investment, Nanning Rongzhou Cultural Broadcasting Company Limited*（南寧容州文化傳播有限公司）(“Nanning Cultural”) and Mr. Wang Junhua, in relation to the subscription by Nanjing Investment for approximately 95% of the enlarged equity interests in Nanning Cultural by way of capital injection at the consideration of RMB19 million by cash;

(4) the cooperation agreement dated 13 May 2018 entered into between Weinan Hi-tech Industrial Development Co., Ltd.*（渭南高新區產業發展有限公司）Suzhou Zijing Qingyuan New Energy Automobile Technology Co., Ltd.*（蘇州紫荊清遠新能源汽車技術有限公司）and Tesson New Energy, in relation to the establishment of Weinan Tesson Weicheng New Energy Automobile Co., Ltd.*（渭南天臣威晟新能源汽車有限公司）with a proposed registered capital of RMB60 million;

(5) the cooperation agreement dated 26 October 2018 entered into between Tesson New Energy, K2 Energy Hong Kong Limited and K2 Energy Solutions, Inc., in relation to the establishment of a joint venture company with a proposed registered capital of US$20 million which shall be contributed, on a pro rata basis, by Tesson New Energy and K2 Energy Hong Kong Limited for the amounts of US$11 million and US$9 million, respectively;

(6) the Capital Increase Agreement dated 26 October 2018 entered into between Nanjing Investment, Shenzhen Culture and the Target Company, pursuant to which Nanjing Investment has agreed to make a Capital Contribution of RMB20,000,000 to the Target Company;

(7) In relation to the acquisition of two parcels of land located in Lishui District: (a) a notification of successful bid*（中標通知書）with respect to Land Plot I issued by the Lishui Branch of Nanjing Bureau of Land and Resources*（南京市國土資源局溧水分局）(“Lishui Land Bureau”) to Tesson New Energy dated 17 October 2018; (b) confirmation of satisfaction of condition to acquire Land Plot II issued by Lishui Land Bureau to Nanjing Investment; and (c) land use rights grant contracts executed by the (i) Lishui Land Bureau and (ii) Tesson New Energy and Nanjing Investment respectively, for the acquisition of Land Plot I at a consideration of approximately RMB55 million, and Land Plot II at a consideration of RMB650 million dated 30 October 2018; and

(8) the conditional placing agreement dated 7 August 2019 entered into between the Company and Southwest Securities (HK) Brokerage Limited (the “Southwest Securities”) in relation to which Southwest Securities agreed to procure, on a best effort basis, the placees to subscribe for the placing shares at the placing price of HK$0.50 per placing share.

9. LITIGATION

As at the Latest Practicable Date, none of the members of the Group engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

10. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts, the text of whose report is contained in or referred to in this circular:

Name	Qualification
APAC Asset Valuation and Consulting Limited	Independent property valuer
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
Beijing Yingke Law Firm Shenzhen Office	PRC legal adviser
Shenzhen Jiazhenghua Asset Appraisal Real Estate Appraisal Company Limited	Independent valuer qualified in the PRC

The above experts had given and had not withdrawn their respective written consents to the issue of this circular with the inclusion of the text of their letters and/or reports and/or the reference to their names in the form and context in which they appear herein.

The above experts confirmed that as at the Latest Practicable Date:

a. they did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

b. they were not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

11. GENERAL

a. The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is located at Room 1007, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

b. The Company's share registrar is Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

c. The company secretary of the Company is Mr. Chan Wei who is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Associate of Chartered Certified Accountants.

d. The English text of this circular shall prevail over the Chinese text in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 1007, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekdays (except public holidays) for a period of 14 days from the date of this circular:

a) the memorandum of association and bye-laws of the Company;

b) the accountants' report of the Target Company prepared by ZHONGHUI ANDA CPA Limited as set out in Appendix II to this circular;

c) the report on the unaudited pro forma financial information of the Enlarged Group following the completion of the Capital Contribution as set out in Appendix IV to this circular;

d) the valuation report of the property project issued by APAC Asset Valuation and Consulting Limited as set out in Appendix V to this circular;

e) the valuation report and its summary of the Target Company issued by Shenzhen Jiazhenghua Asset Appraisal Real Estate Appraisal Company Limited as set out in Appendix VI to this circular;

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

g) the written consents of the experts referred to in the paragraph headed "Qualification and Consent of Experts" in this appendix;

h) the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018; and

i) this circular.