THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

GR PROPERTIES LIMITED

國銳地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

(I) MAJOR AND CONNECTED TRANSACTIONS — ACQUISITION OF CAPABLE KINGDOM LIMITED AND DISPOSAL OF WHOLLY EXPRESS LIMITED; AND (II) POSSIBLE CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

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

红日资本有限公司

RED SUN CAPITAL LIMITED

A letter from the Board is set out on pages 9 to 39 of this circular. A letter from the Independent Board Committee is set out on pages 39 to 40 of this circular. The letter from the Independent Financial Adviser is set out on pages 41 to 69 of this circular, which contains its advice to the Independent Board Committee and Independent Shareholders.

A notice convening the EGM to be held at Unit 1103-06, China Building, 29 Queen’s Road Central, Hong Kong on Monday, 21 October 2019 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

30 September 2019

CONTENTS

Page

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

"2018 Circular"	circular of the Company dated 20 July 2018 in respect of the very substantial acquisition and connected transaction in relation to the acquisition of the entire issued share capital of Wise Expert Investment Limited
"Acquisition"	the acquisition of CK Shares as contemplated under the Agreement
"Agreement"	the conditional sale and purchase agreement dated 16 July 2019 entered into between the Company and the Vendors in relation to the Acquisition and the Disposal
"Announcement"	the announcement of the Company dated 16 July 2019, among other things, in relation to the Acquisition and the Disposal
"associate(s)"	has the same meaning as ascribed thereto under the Listing Rules
"Beijing Guolong"	Beijing Guolong Real Estate Company Limited* (北京國隆置業有限公司), a company established in the PRC with limited liability
"Beijing Xinrui"	Beijing Xinrui Microfinance Company Limited* (北京鑫鋭小額貸款有限公司), a company established in the PRC with limited liability
"Board"	the board of Directors
"Business Day(s)"	any day(s) except Saturday, Sunday or other day on which licensed banks in Hong Kong are open for business throughout their normal business hours
"CK Group"	collectively, CKL, CK HK Subsidiary, CK PRC Subsidiary A and CK PRC Subsidiary B

"CK HK Subsidiary"	Capable Point International Limited (凱朋國際有限公司), a company incorporated in Hong Kong with limited liability
"CK PRC Subsidiary A"	Beijing Kaipeng Business Management Co., Ltd.* (北京凱朋商業管理有限公司), a company established in the PRC with limited liability
"CK PRC Subsidiary B"	Beijing Kaipeng Technology Development Co., Ltd.* (北京凱朋科技發展有限公司), a company established in the PRC with limited liability
"CK Properties"	the properties held by CK PRC Subsidiary B located at Building No.2 of Kingdom Guorui, No.1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC* (中國北京經濟技術開發區榮華南路1號院2號樓)
"CK Shares"	50,000 shares of CKL, being all issued shares of CKL held by the Vendors
"CKL"	Capable Kingdom Limited, a company incorporated in the British Virgin Islands with limited liability
"Company"	GR Properties Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange (stock code: 108)
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Agreement
"Completion Date"	the last calendar day of the month in which the conditions precedent set out under the paragraph headed "Conditions precedent" in this circular are fulfilled or waived (as the case may be), which must be at least three Business Days following the fulfillment or waiver (as the case maybe) of the Conditions Precedent (or such other date as the Vendors and the Company may agree in writing)

"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Director(s)"	the directors of the Company
"Disposal"	the disposal of WE Shares as contemplated under the Agreement
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose to consider and, if thought fit, approve the Agreement, the Acquisition, the Disposal and the transactions contemplated thereunder
"Enlarged Group"	the Group including CK Group and excluding WE Group upon Completion
"General Partner"	Qianhai Yucheng (Shenzhen) Equity Investment Fund Management Co., Ltd.* (前海宇城（深圳）股權投資基金管理有限公司), a company established in the PRC with limited liability, which is ultimately held by Mr. Sun and Ms. Li Chang (both of which are connected persons to the Company) as to 9% and 91%, respectively
"Group"	the Company and its subsidiaries
"Guolong Loan Agreement"	the loan agreement dated 26 June 2018 entered into between CK PRC Subsidiary A and Beijing Guolong in respect of the loan in the principal sum of RMB50 million granted by Beijing Guolong to CK PRC Subsidiary A
"Guorui Hotel"	Beijing Guorui Hotel Management Co., Ltd.* (北京國鋭酒店管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Guorui Hotel Tenancy Agreement I"	the tenancy agreement dated 31 December 2017 (as terminated by the termination agreement dated 10 July 2019) entered into between Guorui Hotel and WE PRC Subsidiary B

"Guorui Hotel Tenancy Agreement II"	the tenancy agreement dated 5 July 2017 entered into between Guorui Hotel and WE PRC Subsidiary B
"Guorui Property"	Beijing Guorui Property Development Company Limited* (北京國銳房地產開發有限公司), a company established in the PRC and is deemed to be ultimately beneficially owned by Mr. Wei and Mr. Sun
"Guorui Property Charge"	the charge dated 23 April 2018 (as amended and supplemented by two supplemental agreements dated 27 August 2018 and 20 November 2018, respectively) over certain properties owned by Guorui Property in favour of Limited Partner A in respect of the payment obligations of CK PRC Subsidiary A for the Redemption Amount
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Au Yeung Po Fung, to advise the Independent Shareholders on the Acquisition and the Disposal
"Independent Financial Adviser"	Red Sun Capital Limited is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Independent Shareholder(s)"	Shareholders other than Wintime Company Limited (an associate of Mr. Wei) and Mr. Sun, together with their respective associates who are required by the Listing Rules to abstain from voting on the resolutions approving the Agreement and the transactions contemplated thereunder

"Independent Third Party(ies)"	the third party(ies) independent of the Company and its connected persons
"Independent Valuer"	Knight Frank Petty Limited, the independent valuer engaged by the Company for preparing the valuations for CK Properties and WE Properties
"Jiaxing Investment"	Jiaxing Longsheng Investment Partnership (Limited Partnership)* (嘉興隆灝投資合夥企業(有限合夥)), a limited partnership established in the PRC
"Latest Practicable Date"	25 September 2019
"Limited Partner A"	Kunlun Trust Co., Ltd.* (昆倫信託有限責任公司), a company established in the PRC with limited liability
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Agreements"	collectively, Guolong Loan Agreement, Xinrui Loan Agreement and Wanzecheng Loan Agreement
"Long Stop Date"	31 December 2021
"Mr. Sun"	Mr. Sun Zhongmin, an executive Director, who is holding 136,752,350 Shares, representing approximately 4.27% of the issued Shares as at the Latest Practicable Date
"Mr. Wei"	Mr. Wei Chunxian, an executive Director and the chairman of the Board, and is deemed by the SFO to be interested in 2,246,160,464 Shares, representing approximately 70.21% of the issued Shares as at the Latest Practicable Date
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Renewed Guorui Hotel Tenancy Agreement I"	the tenancy agreement dated 1 August 2019 entered into between Guorui Hotel and WE PRC Subsidiary B

"RMB"	Renminbi, the lawful currency of the PRC
"Ronghua Tenancy Agreement"	the tenancy agreement dated 1 January 2019 entered into between Beijing Ronghua Tiandi International Travel Agency Company Limited* (北京榮華天地國際旅行社有限公司) and WE PRC Subsidiary B
"Ruilai Tenancy Agreement"	the tenancy agreement dated 5 July 2017 entered into between Beijing Ruilai Recreational Fitness Company Limited* (北京鋭萊康體健身有限公司) and WE PRC Subsidiary B
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Tenancy Agreements"	collectively, Guorui Hotel Tenancy Agreement II, Ronghua Tenancy Agreement and Ruilai Tenancy Agreement
"Vendor A"	Winluck Global Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Wei, holding 45,500 CK Shares
"Vendor B"	Silky Apex Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sun, holding 4,500 CK Shares
"Vendors"	collectively, Vendor A and Vendor B
"Wanzecheng"	Beijing Wanzecheng Investment Consulting Center* (北京萬澤誠投資顧問中心), a company established in the PRC with limited liability and a company wholly-owned by Mr. Wei

"Wanzecheng Loan Agreement"	the loan agreement dated 26 June 2018 entered into between CK PRC Subsidiary A and Wanzecheng in respect of the loan in the principal sum of RMB1 million granted by Wanzecheng to CK PRC Subsidiary A
"WE Group"	collectively, WEL, WE HK Subsidiary, WE PRC Subsidiary A and WE PRC Subsidiary B
"WE HK Subsidiary"	Win Zone (HK) Limited (勝域 (香港)有限公司), a company incorporated in Hong Kong with limited liability
"WE PRC Subsidiary A"	Beijing Shengyu Guanglian Commercial Management Co., Ltd.* (北京勝域廣聯商業管理有限公司), a company established in the PRC with limited liability
"WE PRC Subsidiary B"	Beijing Shengyu Technology Development Co., Ltd.* (北京勝域科技發展有限公司), a company established in the PRC with limited liability
"WE Properties"	the properties held by WE PRC Subsidiary B located at Building No.3 of Kingdom Guorui, No.1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC* (中國北京經濟技術開發區榮華南路1號院3號樓)
"WE Shares"	50,000 shares of WEL, being all issued shares of WEL held by the Company
"WEL"	Wholly Express Limited, a company incorporated in the British Virgin Islands with limited liability
"Xinrui Loan Agreement"	the loan agreement dated 20 September 2018 entered into between CK PRC Subsidiary B and Beijing Xinrui in respect of the loan in the principal sum of RMB10 million granted by Beijing Xinrui to CK PRC Subsidiary B
"%"	per cent.

* *English name of such entity is the transliteration of its Chinese name for reference only*

For the purpose of this circular, the translation of RMB into HK$ is based on the rate of RMB1:HK$1.14. This conversion rate is for illustrative purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.

GR PROPERTIES LIMITED
國銳地產有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 108)

Executive Directors:	*Registered Office:*
Mr. Wei Chunxian	Suite 1603, 16/F
Mr. Sun Zhongmin	Wheelock House
Ms. Liu Shuhua	20 Pedder Street
Mr. Guo Jingsheng	Central, Hong Kong
Ms. Huang Fei	
Ms. Li Bing	

Independent Non-executive Directors:
Mr. Tung Woon Cheung Eric
Ms. To Tsz Wan Vivien
Mr. Au Yeung Po Fung

30 September 2019

To the Shareholders

Dear Sir or Madam,

(I) MAJOR AND CONNECTED TRANSACTIONS — ACQUISITION OF CAPABLE KINGDOM LIMITED AND DISPOSAL OF WHOLLY EXPRESS LIMITED; AND (II) POSSIBLE CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Announcement of the Company dated 16 July 2019 in relation to, among others, the Acquisition and Disposal.

On 16 July 2019 (after trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase CK Shares in exchange for WE Shares.

The purpose of this circular is to provide you (i) further details of the Acquisition, the Disposal and the transactions contemplated thereunder; (ii) recommendation of the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser; (iv) valuation reports of the CK Properties and WE Properties; and (v) a notice of EGM and a form of proxy.

(I) THE AGREEMENT

Date: 16 July 2019

Parties: (1) The Company; and

(2) The Vendors

Vendor A is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Wei. Mr. Wei is an executive Director and the chairman of the Board, and is also the controlling Shareholder deemed under the SFO to be interested in approximately 70.21% of the issued Shares as at the Latest Practicable Date. Accordingly, Vendor A is a connected person of the Company under the Listing Rules.

Vendor B is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sun. Mr. Sun is an executive Director and is also interested in approximately 4.27% of the issued Shares as at the Latest Practicable Date. Accordingly, Vendor B is a connected person of the Company under the Listing Rules.

Assets subject to the Agreement

Pursuant to the Agreement, the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase the CK Shares in exchange for WE Shares.

Upon Completion, (a) the Group will hold 100% interest in each of CKL, CK HK Subsidiary and CK PRC Subsidiary A, approximately 51.02% interest in CK PRC Subsidiary B and approximately 33.3% in Jiaxing Investment and the financial results of CK Group will be consolidated into the financial statements of the Group; and (b) the Group will cease to hold any interest in WE Group and the financial results of WE Group will cease to be consolidated into the financial statements of the Group.

Subsequent to Completion and immediately upon the acquisition of Limited Partner A's investment in Jiaxing Investment by CK PRC Subsidiary A (as detailed in the paragraph headed "INFORMATION ABOUT CK GROUP — (v) Jiaxing Investment" in this letter of the Board), the Group will indirectly hold 99.9% interest in Jiaxing Investment and approximately 99.95% interest in CK PRC Subsidiary B.

Consideration

The consideration under the Agreement was determined after arm's length negotiations between the Company and the Vendors on normal commercial terms after taking into account, without limitation, (a) the preliminary valuations of CK Properties and WE Properties as at 31 May 2019; and (b) the unaudited net asset values of CK Group and WE PRC Subsidiary B as at 30 April 2019. The consideration under the Agreement is in the form of exchanging WE Shares for CK Shares. The exchange ratio has been determined as 1 CK Share in exchange for 1 WE Share.

The preliminary valuation of CK Properties as of the record date 31 May 2019 was prepared based on market approach and Income Approach — Terms and Reversion Method (T&R) ("**Income Approach — T&R**"), which does not involve discounted cash flow method. The preliminary valuation as at such date was RMB2,398 million (approximately HK$2,733.7 million). This is because this valuation methodology applies by way of measuring the agreed income receivable pursuant to the contractual terms of the leases (i.e. rental income) from such period based on the agreed tenure under the leases. As advised by the Independent Valuer, the Independent Valuer considered that this valuation approach is appropriate, especially given that certain CK Properties are being leased. In addition, the Independent Valuer also counter-checked the results through Market Approach with reference to the asking prices of comparable properties in the area. As advised by the Independent Valuer, the value of CK Properties as of 31 May 2019 and 30 June 2019 was approximately RMB2,120 million based on income approach, and RMB2,068 million based on market approach.

Following the preliminary valuation of CK Properties as of 31 May 2019, the Independent Valuer has done an updated valuation as of 30 June 2019, the text of which is set out in Appendix V to this circular. Taking into account several recent transactions, the valuation of CK Properties of RMB2,398 million was revised downwards to RMB2,120 million. This adjustment takes into account a sample review of 3 lease agreements entered into in July 2019. Such 3 lease agreements indicated relatively lower rental compared to rental in the past. After taking into account the aforesaid updated market transactions, the Independent Valuer had taken a prudent approach to adopt a lower market rent to reflect the latest market trend, hence lowered the valuation of CK Properties.

In determining the valuation of CK Properties, such valuation could be affected by the market trend of rental income generated by similar properties. As the number of sample lease agreements reviewed by the Independent Valuer in July 2019 was quite limited, it is difficult to decide whether it is in fact a market trend. However, the Directors are of the view that it is prudent to reflect the aforesaid lease transactions reviewed in the valuation as at 30 June 2019.

WE Properties is operated as a clubhouse with restaurants, conference rooms, gymnasium, and other facilities subject to six tenancy agreements. Majority portion of WE Properties are leased to various subsidiaries of the Company and only two units on one floor of WE Properties are leased to Independent Third Parties for commercial use. Therefore, the Independent Valuer uses (a) Market Approach for the majority part of WE Properties that are leased to wholly-owned subsidiaries; and (b) Income Approach — T&R to value the said two units that are leased to the Independent Third Parties. Neither approach involves profit forecast. Based on the said valuation approaches, the valuation of WE Properties as of the record date of 30 June 2019 was RMB682 million (approximately HK$777.5 million).

Consistent with the Company's experience and as advised by the Independent Valuer, Market Approach is the most common and reliable valuation approach for valuing property by reference to comparable market transactions/asking prices of similar properties. The rationale of this approach is to directly relate the market comparable transactions and asking prices with the property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the property and the comparable.

Taking into account the above, the Directors (excluding Mr. Wei and Mr. Sun who had abstained from voting at the Board resolutions approving the Agreement and the transactions contemplated thereunder) consider that the Consideration is fair and reasonable and on normal commercial terms or better and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Agreement is subject to the following conditions being fulfilled and satisfied on or before the Long Stop Date:

(i) the passing of the necessary resolution(s) by the Independent Shareholders of the Company at the EGM approving, inter alia, the Agreement, the Acquisition, the Disposal and the transactions contemplated thereunder;

(ii) the Company having completed the due diligence review conducted by the Company on the business, financial status, assets, liabilities and other aspects of the CK Group considered relevant by the Company and is satisfied with the results thereof in its view;

(iii) all necessary approvals in respect of the transactions contemplated under the Agreement required to be obtained by the Vendors having been obtained by the Vendors and not having been withdrawn before the Completion Date;

(iv) all necessary approvals in respect of the transactions contemplated under the Agreement required to be obtained by the Company having been obtained by the Company and not having been withdrawn before the Completion Date;

(v) there has been no material adverse change in the business, operation, performance or financial status of CK Group from the date of the Agreement up to date of the Completion Date;

(vi) there has been no material adverse change in the business, operation, performance or financial status of WE Group from the date of the Agreement up to date of the Completion Date;

(vii) CK PRC Subsidiary B having obtained the rights of state-owned construction land use and property ownership of CK Properties and such rights not having been withdrawn before the Completion Date;

(viii) WE PRC Subsidiary B having obtained the rights of state-owned construction land use and property ownership of WE Properties and such rights not having been withdrawn before the Completion Date;

(ix) the Vendors' warranties in the Agreement remaining true, accurate and not misleading in all material respect as at the Completion Date, as if such warranties are repeated on the Completion Date considering the facts and circumstance at that time;

(x) the Company's warranties in the Agreement remaining true, accurate, and not misleading in all material respect as at the Completion Date, as if such warranties are repeated on the Completion Date considering the facts and circumstance at that time;

(xi) the Vendors having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Agreement before the Completion Date; and

(xii) the Company having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Agreement before the Completion Date.

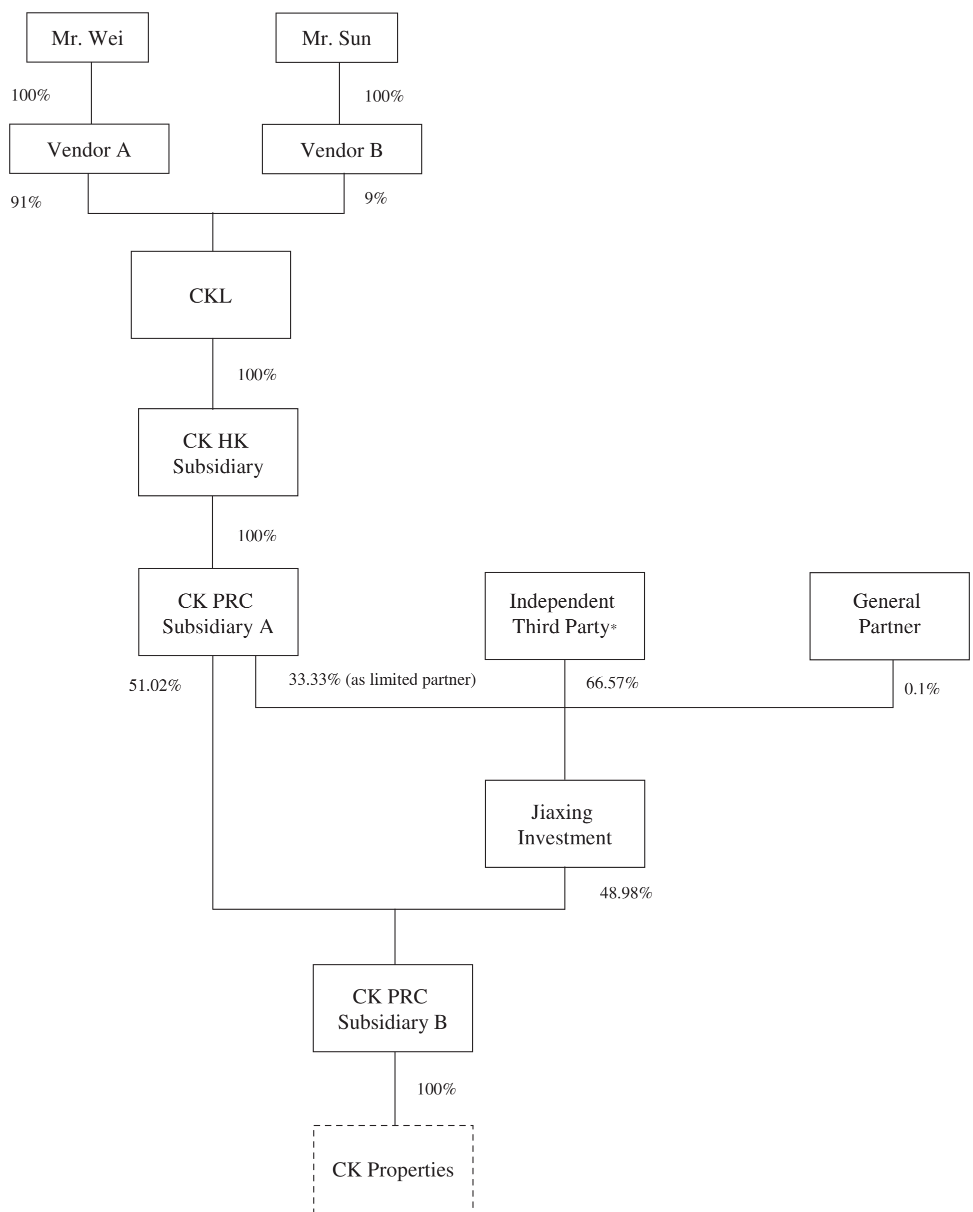
The Vendors shall use its best endeavour to procure the fulfilment of the aforesaid conditions (ii), (iii), (v), (vii), (ix) and (xi).

The Company may waive the conditions (ii), (iii), (v), (vii), (ix) and (xi) above at any time by notice in writing to the Vendors. The Vendors may waive the conditions (iv), (vi), (viii), (x) and (xii) above at any time by notice in writing to the Company. Save for the aforementioned conditions, all other conditions cannot be waived.

If any of the conditions cannot be fulfilled (or otherwise waived) by the Long Stop Date, the Company will have the right to elect to terminate the Agreement or to agree in writing with the Vendors on a later date for such conditions to be fulfilled. If the Vendors and the Company cannot agree on such later date within 60 days after the Long Stop Date, the Agreement will be terminated.

INFORMATION ABOUT CK GROUP

The following diagram illustrates the shareholding structures of CK Group as at the Latest Practicable Date:



* This refers to Limited Partner A which is an Independent Third Party.

(i) CKL

CKL is a company incorporated under the laws of the British Virgin Islands on 1 July 2015. As advised by the Vendors, the principal business of CKL is investment holding. As at the Latest Practicable Date, CKL is directly owned by Vendor A and Vendor B as to 91% and 9%, respectively.

(ii) CK HK Subsidiary

CK HK Subsidiary is a company incorporated in Hong Kong with limited liability on 8 September 2015. As advised by the Vendors, the principal business of CK HK Subsidiary is investment holding. As at the Latest Practicable Date, CK HK Subsidiary is directly wholly-owned by CKL.

(iii) CK PRC Subsidiary A

CK PRC Subsidiary A is a company established in the PRC with limited liability on 25 November 2016. As advised by the Vendors, the principal business of CK PRC Subsidiary A is business management and business management consulting. As at the Latest Practicable Date, CK PRC Subsidiary A is directly wholly-owned by CK HK Subsidiary.

(iv) CK PRC Subsidiary B

CK PRC Subsidiary B is a company established in the PRC with limited liability on 30 November 2016. As advised by the Vendors, the principal business of CK PRC Subsidiary B is among other things, rental of office space and commercial buildings and is the sole owner of CK Properties. As at the Latest Practicable Date, CK PRC Subsidiary B is directly owned by CK PRC Subsidiary A and Jiaxing Investment as to approximately 51.02% and approximately 48.98%, respectively.

(v) Jiaxing Investment

Jiaxing Investment is a limited partnership established in the PRC with limited liability on 9 October 2017. As advised by the Vendors, the principal business of Jiaxing Investment is industry investment and investment management. As at the Latest Practicable Date, Jiaxing Investment is managed by the General Partner (which held approximately 0.1% interest in Jiaxing Investment). The limited partners of Jiaxing Investment are CK PRC Subsidiary A and the Limited Partner A, having approximately 33.33% and approximately 66.57% interest in Jiaxing Investment, respectively. Immediately upon the Completion, the 33.33% limited partner capital contribution by

CK PRC Subsidiary A to Jiaxing Investment will be attributable to the Group through its acquisition of CKL, and Jiaxing Investment will not be a subsidiary of the Company immediately upon Completion.

As at the Latest Practicable Date, from the accounting point of view, the effective interest of CK Group in CK PRC Subsidiary B, which is the sole owner of CK Properties, was approximately 99.95%, and since CK PRC Subsidiary B is treated as a subsidiary of CK Group, 100% of the value of CK Properties (i.e. RMB2,109 million) based on the valuation as of 30 April 2019 is recorded in CK Group's accounts.

Pursuant to the partnership agreement (the "**Partnership Agreement**") entered into among CK PRC Subsidiary A, General Partner and Limited Partner A, CK PRC Subsidiary A and Limited Partner A shall pay RMB345 million and RMB690 million, respectively, as capital of Jiaxing Investment. As at the Latest Practicable Date, the outstanding capital payable by Limited Partner A and PRC Subsidiary A are RMB44 million (the "**LP A's Outstanding Capital**") and RMB21.5 million, respectively.

Further, pursuant to the share transfer agreement entered into between CK PRC Subsidiary A and Limited Partner A, (i) CK PRC Subsidiary A shall acquire Limited Partner A's investment in Jiaxing Investment upon Limited Partner A's request 24 months from the date of the respective payments of investment in Jiaxing Investment; and (ii) CK PRC Subsidiary A has the right to acquire Limited Partner A's investment in Jiaxing Investment twelve or eighteen months from the date of the respective payments of investment in Jiaxing Investment made by Limited Partner A. The consideration of such acquisition will be up to RMB690 million (being the total contribution commitment of Limited Partner A to Jiaxing Investment under the Partnership Agreement). Additionally, pursuant to the same agreement, an interest at the rate of 8.9% per annum of the investment amount paid by Limited Party A shall be payable by CK PRC Subsidiary A to Limited Party A for the period from the date of investment to the date of acquisition. As at the Latest Practicable Date, Limited Partner A has already paid up RMB646 million (the "**Redemption Amount**") as the capital of Jiaxing Investment and such amount will be subject to the above acquisition, if requested by Limited Party A, after the said 24-months (which will be by the end of April 2021). If Limited Partner A later contributes the LP A's Outstanding Capital, the Redemption Amount will be increased to RMB690 million accordingly and CK PRC Subsidiary A will also need to pay all the outstanding interest at the said rate of 8.9% per annum.

(vi) CK Properties

CK Properties are located at Building No.2 of Kingdom Guorui, No.1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC* (中國北京經濟技術開發區榮華南路1號院2號樓), with a total gross floor area of approximately 46,164 square meters, which is for office use. As at the Latest Practicable Date, as advised by the Vendors, CK PRC Subsidiary B has obtained all certificates of property ownerships of CK Properties.

The Vendors incorporated each member of the CK Group. With respect to the acquisition of CK Properties by the Vendor, CK PRC Subsidiary B entered into presale contracts for properties in May 2017 and have obtained corresponding ownership certificates between July 2018 and April 2019.

Financial information of CK Group

Based on the audited consolidated management accounts of CK Group for each of the two financial years ended 31 December 2017 and 2018, the consolidated turnover and consolidated net loss (before and after taxation) of CK Group are as follows:

	For the year ended 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
	(audited)	(audited)
Turnover	—	1,641
Net (loss)/profit before taxation	(462)	1,188,498
Net (loss)/profit after taxation	(462)	890,464

As at 30 April 2019, the audited consolidated net asset value of CK Group was approximately RMB882,570,000 (equivalent to approximately HK$1,006,129,800). As advised by the Vendor, the original acquisition cost of CK Group (which mainly consists of the acquisition cost of CK Properties) is approximately RMB880 million (equivalent to approximately HK$1,003.2 million).

There is a difference between the unaudited net profit/loss figures of CK Group as disclosed in the Announcement as compared to the audited net profit/loss figures as disclosed in the accountant's report of CK Group in Appendix II to this circular. Such differences are set out as follows:

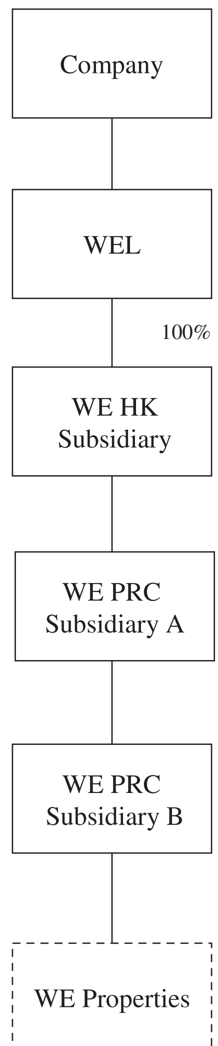
	Unaudited consolidated management accounts of CK Group as at 31 December 2018	Audited consolidated accounts of CK Group as at 31 December 2018
	HK$	*HK$*
		(approx.)
Net profit/(loss) before taxation	(36,454,730)	1,354,887,720
Net profit/(loss) after taxation	(36,454,730)	1,015,128,960

The differences between the audited and unaudited figures of the net profit/(loss) is mainly due to a significant fair value gain (i.e. RMB1,224,443,000 (equivalent to approximately HK$1,395,865,020)) reflected in the financial statements of CK Group upon audit as a result of the recognition of a fair value gain pursuant to applicable accounting standards.

The fair value gain arose in the audited accounts of CK Group, but not in the unaudited management accounts of CK Group, primarily because of CK Group's accounting treatment (prior to completion of the Acquisition) of the CK Properties as "Investment Property", as the CK Properties were primarily used by CK Group for leasing to generate rental income. Pursuant to the applicable accounting standards, valuation is required for auditing in respect of "Investment Property". However, upon Completion, CK Properties would be booked as "Property held for sale" pursuant to applicable accounting standards as the Group currently may plan to sell some or all of CK Properties after Completion. As such, no fair value gain in respect of the CK Properties is expected to be recorded in the books of CK Group going forward after the Completion since "Property held for sale" are booked at cost without considering fair value gain. Such accounting treatment is reflected in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular. As such, there may not be any fair value adjustment in future under the accounting classification of "Property held for sale".

INFORMATION ABOUT WE GROUP

The following diagram illustrates the shareholding structures of WE Group as at the Latest Practicable Date:



(i) WEL

WEL is a company incorporated under the laws of the British Virgin Islands on 1 July 2015. As advised by the Vendors, the principal business of WEL is investment holding. As at the Latest Practicable Date, WEL is directly wholly-owned by the Company.

(ii) WE HK Subsidiary

WE HK Subsidiary is a company incorporated in Hong Kong with limited liability on 11 November 2015. The principal business of WE HK Subsidiary is investment holding. As at the Latest Practicable Date, WE HK Subsidiary is directly wholly-owned by WEL.

(iii) WE PRC Subsidiary A

WE PRC Subsidiary A is a company established in the PRC with limited liability on 19 January 2016. The principal business of WE PRC Subsidiary A is enterprise management, business management consulting and corporate planning. As at the Latest Practicable Date, WE PRC Subsidiary A is directly wholly-owned by WE HK Subsidiary.

(iv) WE PRC Subsidiary B

WE PRC Subsidiary B is a company established in the PRC with limited liability on 19 January 2016. The principal business of WE PRC Subsidiary B is, among other things, real estate development, rental of properties for commercial use and office use and is the sole owner of WE Properties. As at the Latest Practicable Date, WE PRC Subsidiary B is directly wholly-owned by WE PRC Subsidiary A.

(v) WE Properties

WE Properties are located at Building No.3 of Kingdom Guorui, No.1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC* (中國北京經濟技術開發區榮華南路1號院3號樓), with a total gross floor area of approximately 28,056 square meters, which is for commercial use. As at the Latest Practicable Date, WE PRC Subsidiary B has obtained all certificates of property ownerships of WE Properties.

Financial information of WE Group

As WEL, WE HK Subsidiary and WE PRC Subsidiary A are principally engaged in investment holding and do not have any operation, the financial performance of WEL, WE HK Subsidiary and WE PRC Subsidiary A are insignificant.

Based on the unaudited management accounts of WE PRC Subsidiary B for each of the two financial years ended 31 December 2017 and 2018, the turnover and net loss (before and after taxation) of WE PRC Subsidiary B are as follows:

	For the year ended 31 December	
	2017	**2018**
	HK$	*HK$*
	(unaudited)	(unaudited)
Turnover	874,697	11,352,391
Net loss before taxation	(33,186,162)	(26,755,604)
Net loss after taxation	(33,186,162)	(26,755,604)

As at 30 April 2019, the unaudited net asset value of WE PRC Subsidiary B was HK$675,177,137.

The acquisition of WE Group by the Company was completed on 31 August 2017. The total consideration for acquisition of WE Group was HK$673,364,000 settled by the issuance of consideration shares and convertible bonds by the Company.

REASONS FOR AND BENEFIT OF ENTERING INTO THE AGREEMENT

The Group is principally engaged in (i) the provision of property management services in the PRC; (ii) property development and investment worldwide, and (iii) operation and management of a leisure and lifestyle experience centre in the PRC.

Background

Since WE PRC Subsidiary B had incurred substantial losses for the years ended 31 December 2017 and 2018, which were mainly due to the depreciation expense of WE Properties, the Company's management team began to explore on or about March 2019 the possibility to dispose the WE Group. It was then Mr. Wei and Mr. Sun brought the opportunity to potentially acquire the CK Properties to the attention of the Board. It was expected that such transaction could potentially facilitate the Group's disposal of the WE Properties and in exchange for the CK Properties which value and potential is estimated by the Board to be higher than that of the WE Group.

From the perspective of Mr. Wei and Mr. Sun, this transaction also signifies their long term confidence and aspirations of the Group as they believe the Group will be able to realise the potential of the CK Property to its full which will then in turn benefit the Shareholders (including Mr. Wei and Mr. Sun as Shareholders) through the value of the Shares.

Reasons and benefits

Reference is made to the 2018 Circular. CK Properties is the remainder portion of the target properties acquired by the Company (the "**2018 Target Properties**"), which is indirectly held by Wise Expert Investment Limited as stated in the 2018 Circular. The Directors believe that the Acquisition will allow the Company to have the flexibility to develop and /or sell CK Properties. In any event, integrating the CK Properties with the 2018 Target Properties could also create operational efficiencies for management of the CK Properties, which could potentially increase the overall value of CK Properties and the 2018 Target Properties. The Company did not acquire CK Shares along with 2018 Target Properties at the time and the main reasons are as follows:

(a) in order to avoid undue burden on the Group's cashflow, the Company preferred to minimise the use of cash to settle the consideration. The consideration for the acquisition of the entire issued share capital of Wise Expert Investment Limited in 2018 was settled by issuance of consideration shares and convertible bonds to the Vendors. If the Company were acquiring CK Shares along with 2018 Target Properties last year, the Company would need to issue significantly more consideration shares and/or convertible bonds to settle the aggregate consideration, which if carried out at the same time in one go may create issues on concentration of shareholdings of the Company held by Mr. Wei and his associate(s); and

(b) at the time of signing of the sale and purchase agreement in respect of Wise Expert Investment Limited, which indirectly held the 2018 Target Properties, the Vendors had not completely obtained all ownership certificates for CK Properties. Having assessed the circumstances at the time, the Company decided it may not be appropriate to acquire such large number of properties without ownership certificates all in one go.

In considering the purchase of CK Shares, the Directors also has taken into account (amongst other things) the following:

(a) the audited net asset value of CK Group as at 30 April 2019 (which has taken into account the fair value of CK Properties) represents a premium of approximately HK$331 million over the unaudited net asset value of WE PRC Subsidiary B as at 30 April 2019 (which has taken into account the fair value of WE Properties);

(b) the principal business of the members of CK Group, particularly CK PRC Subsidiary B (the major operating company of CK Group), is in line with the Group's principal business;

(c) the main assets of CK Group is CK Properties, which construction have completed and their property ownership certificates have also been obtained. 21 out of 129 units of CK Properties is currently being leased for rental income. It is currently intended that the Company would sell CK Properties unit by unit over a medium to long term for profit to generate a stable cashflow and income to the Company in the future;

(d) the main assets of WE Group is WE Properties. As disclosed in the Announcement, WE PRC Subsidiary B incurred losses of approximately HK$33.2 million and HK$26.8 million for the years ended 31 December 2017 and 2018, respectively, which were mainly due to the depreciation expense of WE Properties. Through the Disposal, no more depreciation expense will be incurred. On the other hand, as the Group may sell CK Properties for profit (instead of leasing them as a long term goal), in which case they will be booked as properties held for sale and no losses as a result of depreciation is expected to be incurred for holding such CK Properties; and

(e) CK Properties are for office use and WE Properties are for commercial use. While WE Properties is operating as a clubhouse mainly for internal use with a small proportion leased to external parties, it is therefore more difficult to dispose of such properties in the open market as compared to that of the CK Properties as potential buyer for special property like the WE Group is considered comparatively more limited.

The Directors consider the Disposal represents an opportunity for the Group to realise its investment in WE Group and in substance, WE Properties, so as to enable the Group to re-allocate more resources to other projects with greater potential, such as CK Group.

However, the Directors are also aware of the fact that there are certain costs to be incurred after the Completion, such as after the Acquisition, the Group is expected to assume the liability of Redemption Amount (as mentioned in the paragraph headed "INFORMATION ABOUT CK GROUP — (v) Jiaxing Investment") and certain loans of CK Group. It is expected that these liabilities of approximately HK$567 million, approximately HK$171 million and approximately HK$375 million will be due in 2020, 2021 and 2023, respectively.

In consideration of the above, it is intended that the CK Properties will be acquired for trading purpose for the Group. Further, the Directors are of the view that the benefits resulted from the Acquisition and the Disposal will outweigh their respective relevant costs. The Directors consider that the terms of the Acquisition are fair and reasonable taking into account current property market conditions, and are in the interests of the Group and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but less than 100%, the Acquisition constitutes a major acquisition of the Company under the Listing Rules. The Acquisition is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Disposal exceeds 25% but less than 75%, the Disposal constitutes a major disposal of the Company under the Listing Rules. The Disposal is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Vendor A is wholly-owned by Mr. Wei and Vendor B is wholly-owned by Mr. Sun. Each of Mr. Wei and Mr. Sun is an executive Director and therefore each of Vendor A and Vendor B is a connected person of the Company under Chapter 14A of the Listing Rules. The Agreement, the Acquisition, the Disposal and the transactions contemplated under the Agreement are therefore subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, among other matters, the Agreement, the Acquisition, the Disposal and the transactions contemplated under the Agreement. As Vendor A is wholly-owned by Mr. Wei and Vendor B is wholly-owned by Mr. Sun, Mr. Wei and Mr. Sun are considered to have a material interest in the Acquisition and the Disposal. As Mr. Wei is deemed under the SFO to be beneficially interested in the Shares held by Wintime Company Limited and Gang Rui International Investment (HK) Limited. Mr. Wei is therefore deemed to be interested in an aggregate of approximately 70.21% of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Sun, Wintime Company Limited and Gang Rui International Investment (HK) Limited will therefore abstain from voting on the EGM on the proposed resolutions to approve, among other things, the Agreement, the Acquisition, the Disposal and the transactions contemplated thereunder. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

(II) POSSIBLE CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION

Connected transaction — Loan Agreements, Guorui Property Charge and Renewed Guorui Hotel Tenancy Agreement I

Prior to the date of the Agreement, (a) the Loan Agreements had already been respectively entered into (i) between CK PRC Subsidiary A and Beijing Guolong; and (ii) between CK PRC Subsidiary B and Beijing Xinrui; (b) the Guorui Property Charge had already been entered into by Guorui Property in favour of Limited Partner A; and (c) the Renewed Guorui Hotel Tenancy Agreement I had already been entered into by CK PRC Subsidiary B and Guorui Hotel.

(i) Guolong Loan Agreement

Summarised below are the principal terms of Guolong Loan Agreement:

Date	:	26 June 2018
Borrower	:	CK PRC Subsidiary A
Lender	:	Beijing Guolong, a company ultimately held by Ms. Li Chang who is an associate of Mr. Wei and a connected person of the Company, and hence is the associate of Mr. Wei and a connected person of the Company
Principal amount of the loan	:	RMB50 million
Term	:	From 27 June 2018 to 26 June 2023
Interest rate	:	Nil
Security	:	Nil
Repayment	:	(1) repayment of RMB28.3 million by 1 June 2019; (2) repayment of the remaining RMB21.7 million at the maturity

(ii) Xinrui Loan Agreement

Summarised below are the principal terms of Xinrui Loan Agreement:

Date	:	20 September 2018
Borrower	:	CK PRC Subsidiary B
Lender	:	Beijing Xinrui, a company held by Beijing Guolong as to 30%, and hence is also the associate of Mr. Wei and a connected person of the Company
Principal amount of the loan	:	RMB10 million
Term	:	12 months from the date of drawdown of the loan
Interest rate	:	12% per annum
Security	:	Nil
Repayment	:	repayment of the loan at the maturity

(iii) Wanzecheng Loan Agreement

Summarised below are the principal terms of Wanzecheng Loan Agreement:

Date	:	1 December 2017
Borrower	:	CK PRC Subsidiary A
Lender	:	Wanzecheng
Principal amount of the loan	:	RMB1 million
Term	:	3 years, commencing on 4 December 2017
Interest rate	:	Interest-free
Security	:	Nil
Repayment	:	Repayment of the loan at the maturity

(iv) Guorui Property Charge

Summarised below are the principal terms of Guorui Property Charge:

Date	:	23 April 2018 (as amended and supplemented by two supplemental agreements dated 27 August 2018 and 20 November 2018, respectively)
Chargor	:	Guorui Property
Chargee	:	Limited Partner A
Charged assets	:	Certain properties owned by Guorui Property
Term	:	From 20 April 2018 to 20 October 2020
Amount being secured	:	RMB690 million (i.e. the maximum amount of Redemption Amount payable by CK PRC Subsidiary A to Limited Partner A. Please refer to the paragraph headed “INFORMATION ABOUT CK GROUP — (v) Jiaxing Investment” in this letter of the Board for more details.)

It is intended that the Loan Agreements and the Guorui Property Charge will continue after the Completion. Since CK PRC Subsidiary A and CK PRC Subsidiary B will be the subsidiaries of the Company upon Completion, the Loan Agreements, the Guorui Property Charge and the transactions contemplated thereunder will constitute provisions of financial assistances from connected persons to the Group under the Listing Rules.

As the transactions contemplated under the Loan Agreements and the Guorui Property Charge are conducted on normal commercial terms or better and they are not, and will not be, secured by the assets of the Group, the transactions contemplated under the Loan Agreements and the Guorui Property Charge are fully exempt connected transactions pursuant to Rule 14A.90 of the Listing Rules.

(v) Renewed Guorui Hotel Tenancy Agreement I

As disclosed in the Announcement and the announcement of the Company dated 1 August 2019, WE PRC Subsidiary B and Guorui Hotel had entered into the Guorui Hotel Tenancy Agreement I, which expired on 31 July 2019. On 1 August 2019, WE PRC Subsidiary B and Guorui Hotel had entered into the Renewed Guorui Hotel Tenancy Agreement I to renew the Guorui Hotel Tenancy Agreement I.

Date	:	1 August 2019
Landlord	:	WE PRC Subsidiary B
Tenant	:	Guorui Hotel
Premises	:	No. 101-102 of the 1st Floor, No. 101-103 of the 1st Floor of Basement, No. 201-210 of the 2nd floor of Basement, No.3 of Building 1, Ronghua South Road, Beijing Economic and Technological Development Zone, Beijing, the PRC* (北京市北京經濟技術開發區榮華南路1號院3號樓一層101-102號、負一層101-103號、負二層201-210號)
Gross floor area	:	23,525.54 square meters
Term	:	From 1 August 2019 to 31 July 2022
Rent	:	RMB846,919.44 per month (equivalent to approximately HK$965,488.16) to be payable monthly in advance The monthly rental payment of the Renewed Guorui Hotel Tenancy Agreement I was determined between the parties with reference to, among other things, the current market rent for similar properties in the vicinity.
Total rental payment payable during the term	:	RMB30,489,099.84 (equivalent to approximately HK$34,757,573.82)
Usage	:	Office and operation

It is intended that the Renewed Guorui Hotel Tenancy Agreement I will continue after Completion. Subject to Completion, the Company will recognize the total rental fees payable under the Renewed Guorui Hotel Tenancy Agreement I as the value of the right-of-use assets on the financial statements of the Group in accordance with HKFRS 16 "Leases". Accordingly, the transactions contemplated under the Renewed Guorui Hotel Tenancy Agreement I will be regarded as an acquisition of asset by Guorui Hotel for the purpose of the Listing Rules.

Since WE PRC Subsidiary B will be a company indirectly held by Mr. Wei as to 91% upon Completion, WE PRC Subsidiary B will become an associate of Mr. Wei and the Renewed Guorui Hotel Tenancy Agreement I and the transactions contemplated thereunder will constitute an acquisition of assets from connected person under the Listing Rules.

As Mr. Wei and Mr. Sun are considered having a material interest in the Renewed Guorui Hotel Tenancy Agreement I, they had abstained from voting at the Board resolutions approving the Renewed Guorui Hotel Tenancy Agreement I and the transactions contemplated thereunder.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Renewed Guorui Hotel Tenancy Agreement I exceed 0.1% but are below 5%, the transaction contemplated under the Renewed Guorui Hotel Tenancy Agreement I is therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing connected transactions — Tenancy Agreements

Prior to the date of the Agreement, the Tenancy Agreements had already been entered into between WE PRC Subsidiary B with various subsidiaries of the Company. Details of the Tenancy Agreements are summarized below:

(i) Guorui Hotel Tenancy Agreement II

Date	:	5 July 2017
Landlord	:	WE PRC Subsidiary B
Tenant	:	Guorui Hotel
Premises	:	No.3 of Building 1, Ronghua South Road, Beijing Economic and Technological Development Zone, Beijing, the PRC* (北京市北京經濟技術開發區榮華南路1號院3號樓)

Gross floor area	:	18 square meters
Term	:	From 5 July 2017 to 4 July 2020
Rent	:	RMB1,095 per month, calculated based on the rate of RMB2 per day per square meter

The monthly rent of Guorui Hotel Tenancy Agreement II was determined between the parties with reference to, among other things, the then current market rent at the time payable for similar properties in the vicinity.

The annual rental payments paid and to be payable by Beijing Guorui Hotel Management Co., Ltd. to WE PRC Subsidiary B are as follows:

	From 5 July 2017 to 31 December 2017	From 1 January 2018 to 31 December 2018	From 1 January 2019 to 31 December 2019	From 1 January 2020 to 4 July 2020
Annual rental amount				
(in RMB)	6,480	13,140	13,140	6,696
(approx. in HK$)	7,387.2	14,979.6	14,979.6	7,633.4

Usage	:	Office

(ii) Ronghua Tenancy Agreement

Date	:	1 January 2019
Landlord	:	WE PRC Subsidiary B
Tenant	:	Beijing Ronghua Tiandi International Travel Agency Company Limited* (北京榮華天地國際旅行社有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

Premises	:	No. 103-104 on the First Floor, No.3 of Building 1, Ronghua South Road, Beijing Economic and Technological Development Zone, Beijing, the PRC* (北京市北京經濟技術開發區榮華南路1號院3號樓103-104)
Gross floor area	:	18 square meters
Term	:	From 1 January 2019 to 31 December 2019
Rent	:	RMB810 per month and RMB9,720 per year, calculated based on the rate of RMB45 per month per square meter The monthly rent of Ronghua Tenancy Agreement was determined after arm's length negotiation between the parties with reference to, among other things, the then current market rent payable at the time for similar properties in the vicinity.
Usage	:	Office and operation

(iii) Ruilai Tenancy Agreement

Date	:	13 June 2017
Landlord	:	WE PRC Subsidiary B
Tenant	:	Beijing Ruilai Recreational Fitness Company Limited* (北京銳萊康體健身有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
Premises	:	No. 103-105 on the First Floor, No.3 of Building 1, Ronghua South Road, Beijing Economic and Technological Development Zone, Beijing, the PRC* (北京市北京經濟技術開發區榮華南路1號院3號樓103-105)
Gross floor area	:	50 square meters
Term	:	From 13 June 2017 to 12 June 2020

Rent	:	RMB8,100 per month, calculated based on the rate of RMB5.4 per day per square meter

The annual rental payments paid and payable by Beijing Ruilai Recreational Fitness Company Limited* (北京銳萊康體健身有限公司) to WE PRC Subsidiary B are as follows:

	From 13 June 2017 to 31 December 2017	From 1 January 2018 to 31 December 2018	From 1 January 2019 to 31 December 2019	From 1 January 2020 to 12 June 2020
Annual rental amount				
(in RMB)	49,532	97,200	97,200	43,673
(approx. in HK$)	56,466	110,808	110,808	49,787

The monthly rent of Ruilai Tenancy Agreement was determined after arm's length negotiation between the parties with reference to, among other things, the then current market rent at the time payable for similar properties in the vicinity.

Usage	:	Office and operation

It is intended that the Tenancy Agreements will continue after Completion. Since WE PRC Subsidiary B will be a company indirectly held by Mr. Wei as to 91% upon Completion, WE PRC Subsidiary B will become an associate of Mr. Wei, the Tenancy Agreements and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to Rule 14A.60 of the Listing Rules, the transactions contemplated under the Tenancy Agreements are subject to all applicable reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules. In the event that any of the Tenancy Agreements is renewed or any of their respective term is varied, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions

Loan Agreements and Guorui Property Charge

The provisions of financial assistances from the connected persons to the Group pursuant to the Loan Agreements and Guorui Property Charge are conducted on normal commercial terms or better and they are not, and will not be, secured by the assets of the Group. As such, the Directors are of the view that these provisions of financial assistances from the connected persons to the Group are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

One of the principal businesses engaged by the Group is operation and management of a leisure and lifestyle experience centre in the PRC. The premises under the Renewed Guorui Hotel Tenancy Agreement I are mainly used for the operation of hotel, which is in the ordinary and usual course of business of the Group. The terms of the Renewed Guorui Hotel Tenancy Agreement I was determined after separate arm's length negotiations between the relevant parties with reference to the then prevailing market conditions. The Directors (including the independent non-executive Directors) are of the view that the Renewed Guorui Hotel Tenancy Agreement I was entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that their terms are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Renewed Guorui Hotel Tenancy Agreement I

One of the principal businesses engaged by the Group is operation and management of a leisure and lifestyle experience centre in the PRC. The premises under the Renewed Guorui Hotel Tenancy Agreement I are mainly used for the operation of a clubhouse with gymnasium, spa, conference room, restaurant, etc., which is in the ordinary and usual course of business of the Group. The terms of the Renewed Guorui Hotel Tenancy Agreement I were determined after arm's length negotiations between the parties with reference to the prevailing market conditions. The Directors (including the independent non-executive Directors) are of the view that the Renewed Guorui Hotel Tenancy Agreement I was entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Continuing connected transactions — Tenancy Agreements

The Company considers that it is necessary to continue the Tenancy Agreements to allow the Group to continue to use the relevant premises. As relevant subsidiaries of the Group has been using the premises historically, the Directors are of the view that it is in the interest of the Group in terms of cost, time and stability to continue the Tenancy Agreements instead of incurring substantive costs and time to find and relocate to alternative premises.

The Directors are of the view that the Tenancy Agreements and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of such transactions are fair and reasonable and in the interests of the Company and the shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION AND DISPOSAL

Earnings

Upon Completion, (a) the Group will hold 100% interest in each of CKL, CK HK Subsidiary and CK PRC Subsidiary A, approximately 51.02% interest in CK PRC Subsidiary B and approximately 33.3% interest in Jiaxing Investment and the financial results of CK Group will be consolidated into the financial statements of the Group; and (b) the Group will cease to hold any interest in WE Group and the financial results of WE Group will cease to be consolidated into the financial statements of the Group.

The audited net profit after tax of the Group for the financial year ended 31 December 2018, as extracted from the annual report of the Company for the financial year ended 31 December 2018, was approximately HK$9,430,000.

As the transactions contemplated under the Agreement is an asset exchange transaction between the Company and its controlling shareholder, as such any gain or loss arising from such exchange is not contemplated as income or expenses under paragraphs 4.68 to 4.69 of Conceptual Framework for Financial Reporting 2018 issued by the HKICPA. Accordingly, such gain or loss would be accounted for as a capital contribution from or a distribution to the controlling shareholder, and would be recognised in the Group's equity directly instead of recognized in the Group's consolidated statement of profit or loss. This accounting treatment is therefore not relevant to the recognition of gain or loss in the financial statements of the Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix III to this circular, as a result of the Acquisition:

(i) the total assets of the Group will increase from approximately HK$5,030,079,000 to approximately HK$6,256,710,000 on a pro forma basis;

(ii) the total liabilities of the Group will increase from approximately HK$1,575,564,000 to approximately HK$2,633,083,000 on a pro forma basis; and

(iii) the net assets of the Group will increase from approximately HK$3,454,515,000 to approximately HK$3,623,627,000 on a pro forma basis.

The fair value of the consideration for the Disposal of approximately RMB948,070,000, which comprises of:

(i) audited net asset value of CK Group as at 30 April 2019 in the sum of approximately RMB882,570,000;

(ii) the outstanding capital payable by PRC Subsidiary A in the sum of RMB21,500,000; and

(iii) LP A's Outstanding Capital in the sum of RMB44,000,000,

and in aggregate represents a premium of approximately RMB270,070,000 over the carrying value of WE Properties as at 31 December 2018 of RMB678,000,000.

EGM & CLOSURE OF REGISTER OF MEMBERS

The EGM will be held on Monday, 21 October 2019 for the purposes of providing the Independent Shareholders with an opportunity to consider and, if thought fit, approve the Agreement, the Acquisition, the Disposal and the transactions contemplated thereunder. As required under the Listing Rules, votes at the EGM will be taken by way of poll.

A notice convening the EGM to be held at 10:30 a.m. on Monday, 21 October 2019 at Unit 1103-06, China Building, 29 Queen's Road Central, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. As Vendor A is wholly-owned by Mr. Wei and Vendor B is wholly-owned by Mr. Sun, Mr. Wei and Mr. Sun are considered to have a material interest in the Acquisition and the Disposal. As Wintime Company Limited is a company indirectly wholly-owned by Mr. Wei that is interested in approximately 44.83% of the total issued share capital of the Company as at the Latest Practicable Date, Wintime Company Limited is also considered to have a material interest in the Acquisition and the Disposal. Gang Rui International Investment (HK) Limited is interested in approximately 25.37% of the total issued share capital of the Company as at the Latest Practicable Date. As Mr. Wei is deemed to be beneficially interested in the Shares held by Gang Rui International Investment (HK) Limited under the SFO, Gang Rui International Investment (HK) Limited is also considered to have a material interest in the Acquisition and the Disposal. Each of Mr. Sun, Wintime Company Limited and Gang Rui International Investment (HK) Limited will therefore abstain from voting on the EGM on the proposed resolutions to approve, among other things, the Acquisition, the Disposal and the transactions contemplated thereunder.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong as soon as practicable and in any event not less than 48 hours before the time for holding the EGM or any adjournment thereof, as the case may be. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

The register of members of the Company will be closed from Wednesday, 16 October 2019 to Monday, 21 October 2019, both dates inclusive, for the purpose of determining Shareholders' entitlements to attend the EGM. During such period, no transfer of Shares will be registered.

All transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15 October 2019 in order to establish the identity of the Shareholders who are entitled to attend and vote at the EGM.

INDEPENDENT BOARD COMMITTEE & INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Au Yeung Po Fung, has been established by the Board to consider the Acquisition and to provide advice to the Independent Shareholders on whether the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. Red Sun Capital Limited has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

Having considered the reasons set out herein and after taking into account of the view of the Independent Board Committee as set out in the Letter from the Independent Board Committee on pages 39 to 40 of this circular and the Independent Financial Adviser as set out in the Letter from the Independent Financial Adviser set out on page 41 to 49 of this circular, the Directors (including all the independent non-executive Directors) consider that the Acquisition and the Disposal and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, the Disposal and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

WARNING

Completion of the Acquisition and the Disposal is subject to fulfilment of the conditions precedent set out in the Agreement, and the Acquisition and the Disposal may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Yours faithfully,
By order of the Board
GR Properties Limited
Wei Chunxian
Chairman

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with, among others, the Acquisition for inclusion in this circular.

GR PROPERTIES LIMITED
國銳地產有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 108)

30 September 2019

To the Independent Shareholders

Dear Sir or Madam,

(I) MAJOR AND CONNECTED TRANSACTIONS — ACQUISITION OF CAPABLE KINGDOM LIMITED AND DISPOSAL OF WHOLLY EXPRESS LIMITED; AND (II) POSSIBLE CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 30 September 2019 issued by the Company, of which this letter forms part (the "**Circular**"). Unless otherwise specified, capitalised terms defined in the Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in relation to the Acquisition and the Disposal, details of which are set out in the section headed "Letter from the Board" contained in the Circular. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter from the Independent Financial Adviser containing its recommendations and the principal factors that it has taken into account in arriving at its recommendations are set out on pages 41 to 69 of this circular.

Having considered the terms and conditions of the Agreement, as well as the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation to the Acquisition and the Disposal set out in its letter, we consider that the Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the Acquisition and the Disposal are conducted on normal commercial terms which are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

On the basis above, we recommend that the Independent Shareholders vote in favour of the resolutions approving the Acquisition, the Disposal and the transactions contemplated thereunder at the EGM.

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

Mr. Tung Woon Cheung Eric	**Ms. To Tsz Wan Vivien**	**Mr. Au Yeung Po Fung**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

红日资本有限公司
RED SUN CAPITAL LIMITED

30 September 2019

To: The Independent Board Committee and the Independent Shareholders of GR Properties Limited

Dear Sirs/Madams,

MAJOR AND CONNECTED TRANSACTIONS — ACQUISITION OF CAPABLE KINGDOM LIMITED AND DISPOSAL OF WHOLLY EXPRESS LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement, the Acquisition, the Disposal and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 30 September 2019 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 16 July 2019 (after trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase CK Shares in exchange for WE Shares.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but less than 100%, the Acquisition constitutes a major acquisition of the Company under the Listing Rules. The Acquisition is therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Disposal exceeds 25% but less than 75%, the Disposal constitutes a major disposal of the Company under the Listing Rules. The Disposal is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Vendor A is wholly-owned by Mr. Wei and Vendor B is wholly-owned by Mr. Sun. Each of Mr. Wei and Mr. Sun is an executive Director and therefore each of Vendor A and Vendor B is a connected person of the Company under Chapter 14A of the Listing Rules. The Agreement, the Acquisition, the Disposal and the transactions contemplated under the Agreement are therefore subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors, namely, Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Au Yeung Po Fung, has been formed to advise the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder, including the Acquisition and the Disposal. All members of the Independent Board Committee have confirmed to the Board that they are independent with respect to the Agreement and the transactions contemplated thereunder, including the Acquisition and the Disposal, and are thus suitable to give advice and recommendation to the Independent Shareholders in respect of the proposed resolutions to approve, among other things, the Agreement, and the transactions contemplated thereunder, including the Acquisition and the Disposal, at the EGM.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee. We do not by this letter warrant the merits of the above transactions other than to form an opinion for the purpose of the Listing Rules. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to whether (i) the Agreement was entered into in the ordinary and usual course of the business of the Company and on normal commercial terms; (ii) the Agreement and the transactions contemplated thereunder, including the Acquisition and the Disposal, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Agreement and the transactions contemplated thereunder, including the Acquisition and the Disposal.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management, were true and accurate at the time they were made and continue to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the statements, information and representations contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information in order to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, for the purpose of this exercise, conducted any independent verification, investigation or audit into the information provided by the Directors and the Management, business or affairs or future prospects of the Company, the CK Group, the WE Group, Jiaxing Investment and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

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

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any current business relationship with or interest in the Company or any other parties to the Agreement that could reasonably be regarded as relevant in assessing our independence. Save for our appointment as (i) the independent financial adviser to the independent board committee in relation to a very substantial acquisition and connected transaction of the Company, details of which are set out in the circular of the Company dated 20 July 2018; and (ii) the independent financial adviser for issuing a certificate in relation to the adjustment on the exercise price and the number of shares of outstanding options which may be subscribed by the option holders of the Company pursuant to a resolution passed by the then shareholders on 7 November 2016, details of which are set out in the announcement of the Company dated 23 July 2018, Red Sun Capital Limited has not acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company under the Listing Rules in the past two years.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Agreement, the Acquisition, the Disposal and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The principal activity of the Company is investment holding. The Group is principally engaged in (i) the provision of property management services in the PRC; (ii) property development and investment worldwide, and (iii) operation and management of a leisure and lifestyle experience centre in the PRC.

The following table summarises the financial performance of the Group for the year ended 31 December 2017 and 2018, as extracted from the Company's annual reports for the year ended 31 December 2018 (the "**2018 Annual Report**") and for the six months ended 30 June 2018 and 2019, as extracted from the Company's interim results announcement dated 30 August 2019 (the "**2019 Interim Result Announcement**").

	For the year ended 31 December		For the six months ended 30 June	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	**229,822**	**361,282**	**173,269**	**177,006**
— Property management	142,121	196,057	82,914	104,858
— Operations of the recreational centre	77,489	90,158	52,198	35,981
— Gross rental income	10,212	75,067	38,157	36,167
(Loss)/profit for the year/period attributable to Shareholders of the Company	**(65,014)**	**9,579**	**(11,494)**	**(2,967)**

The revenue of the Group mainly comprised of revenue from rendering of property management services. For the year ended 31 December 2018, the revenue of the Group increased to approximately HK$361.3 million, representing an increase of approximately 57.2% compared to that in prior year. This was mainly attributable to the completion of the acquisition of Juxon House, a property of the Group in the United Kingdom, in January 2018, which contributed rental income of approximately HK$63.9 million to the Group in 2018. The profit for the year attributable to Shareholders of the Company amounted to approximately HK$9.6 million for the year ended 31 December 2018 as compared to the loss for the year attributable to Shareholders of the Company of approximately HK$65.0 million for the year ended 31 December 2017. As disclosed in the 2018 Annual Report, this was mainly due to, among others, (i) the increase in revenue from the rental income from the lease of Juxon House; and (ii) the recognition of remeasurement gain upon transfer of a property under development to an investment property under construction of approximately HK$24.0 million in relation to an investment property located in Santa Monica, the United States of America.

For the six months ended 30 June 2019, the revenue of the Group increased to approximately HK$177.0 million, representing an increase of approximately 2.2% compared to that in the prior year. This was mainly attributable to the increase in revenue from the property management of approximately HK$21.9 million, which was partially offset by the decrease in revenue from operations of the recreational centre of approximately HK$16.2 million. The loss for the period attributable to Shareholders of the Company amounted to approximately HK$3.0 million for the six months ended 30 June 2019 as compared to the loss for the period attributable to Shareholders of the Company of approximately HK$11.5 million for the six months ended 30 June 2018. As disclosed in the 2019 Interim Result Announcement, this was mainly due to the net effect of (i) the contribution from the property management segment profit of approximately HK$24.9 million; (ii) the decrease of corporate and other unallocated expense of approximately HK$12.1 million; (iii) the loss of the WE Group from engaging in the operation and management of leisure and lifestyle experience centre; and (iv) the increase in the income tax.

The following table summarises the financial position of the Group as at 31 December 2017 and 31 December 2018, as extracted from the 2018 Annual Report as at 30 June 2019, and as extracted from the 2019 Interim Results Announcement.

	As at 31 December		As at 30 June
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Non-current assets	1,445,970	4,500,247	4,690,152
Current assets	969,812	529,832	385,199
Total Assets	**2,415,782**	**5,030,079**	**5,075,351**
Non-current liabilities	741,455	930,812	1,013,249
Current liabilities	565,503	644,752	617,607
Total liabilities	**1,306,958**	**1,575,564**	**1,630,856**
Equity attributable to Shareholders of the Company	**1,108,824**	**3,431,736**	**3,421,936**

As disclosed in the 2018 Annual Report, as at 31 December 2018, the total assets of the Group amounted to approximately HK$5,030.1 million, comprising non-current assets of approximately HK$4,500.2 million and current assets of approximately HK$529.8 million. The increase in total assets of the Group as at 31 December 2018 as compared to that as at 31 December 2017 was mainly due to (i) the increase in investment properties by approximately HK$1,704.7 million as a result of the completion of an office building and a commercial building in London, the United Kingdom of approximately HK$1,656.4 million; and (ii) the increase in non-current deposits of approximately HK$1,380.3 million which was mainly the result of the acquisition of certain floors of a commercial building located in Beijing, the PRC, and partially offset by the decrease in cash and cash equivalents of approximately HK$378.7 million. The total liabilities of the Group increased to approximately HK$1,575.6 million which was mainly due to an increase in bank borrowings of approximately HK$821.6 million and partially offset by the decrease in loans from a Shareholder of approximately HK$625.3 million.

As disclosed in the 2019 Interim Result Announcement, as at 30 June 2019, the total assets of the Group amounted to approximately HK$5,075.4 million, comprising non-current assets of approximately HK$4,690.2 million and current assets of approximately HK$385.2 million. The increase in total assets was mainly due to the increase in investment properties of approximately HK$203.8 million and partially offset by the decrease in cash and cash equivalents of approximately HK$148.1 million. The total liabilities of the Group increased to approximately HK$1,630.9 million which was mainly due to the new loan from a Shareholder of approximately HK$81.8 million.

2. Overview of PRC macro-economy and property market

Based on the published information, through the past years, the PRC underwent notable economic growth, and major PRC cities such as Beijing, Shanghai, Guangzhou and Shenzhen continued to develop and attract sizeable foreign investments.

The PRC government also launched various policies, such as the establishment of free trade zones, to facilitate economic growth. Pursuant to the Thirteenth Five Year Plan* (十三五規劃), the annual gross domestic product ("**GDP**") growth of the PRC for the next five years from 2016 has been estimated to be approximately 6.5%. However, such target was subsequently adjusted to 6.0% by the PRC government in March 2019. Moreover, there are uncertainties around the ongoing trade negotiations between the PRC and the United States of America governments. The above factors may impact on the property markets in the PRC, including major PRC cities such as Beijing, Shanghai, Guangzhou and Shenzhen. As the overall economic conditions in the PRC may have impact on property prices in such cities, we performed the analysis hereunder for consideration of Independent Shareholders.

As stated in the Thirteenth Five Year Plan, the PRC government targets to, among others, (i) accelerate the agricultural population urbanisation* (加快農業轉移人口市民化) by implementing three main strategies, namely further reform of the household registration system* (深化戶籍制度改革), implementation of the residence permit system* (實施居住證制度) and improvement on the system for promoting urbanisation of agricultural population* (健全促進農業轉移人口市民化的機制); and (ii) optimise urbanisation layout* (優化城鎮化佈局和形態) by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration* (加快城市群建設發展), enhance the drive of activities by central cities* (增強中心城市輻射帶動功能) and speeding up of the development of small and medium-sized cities and characteristical towns* (加快發展中小城市和特色鎮). The aforesaid policies are set with the view to promote long term stability of the PRC economy and the PRC property market.

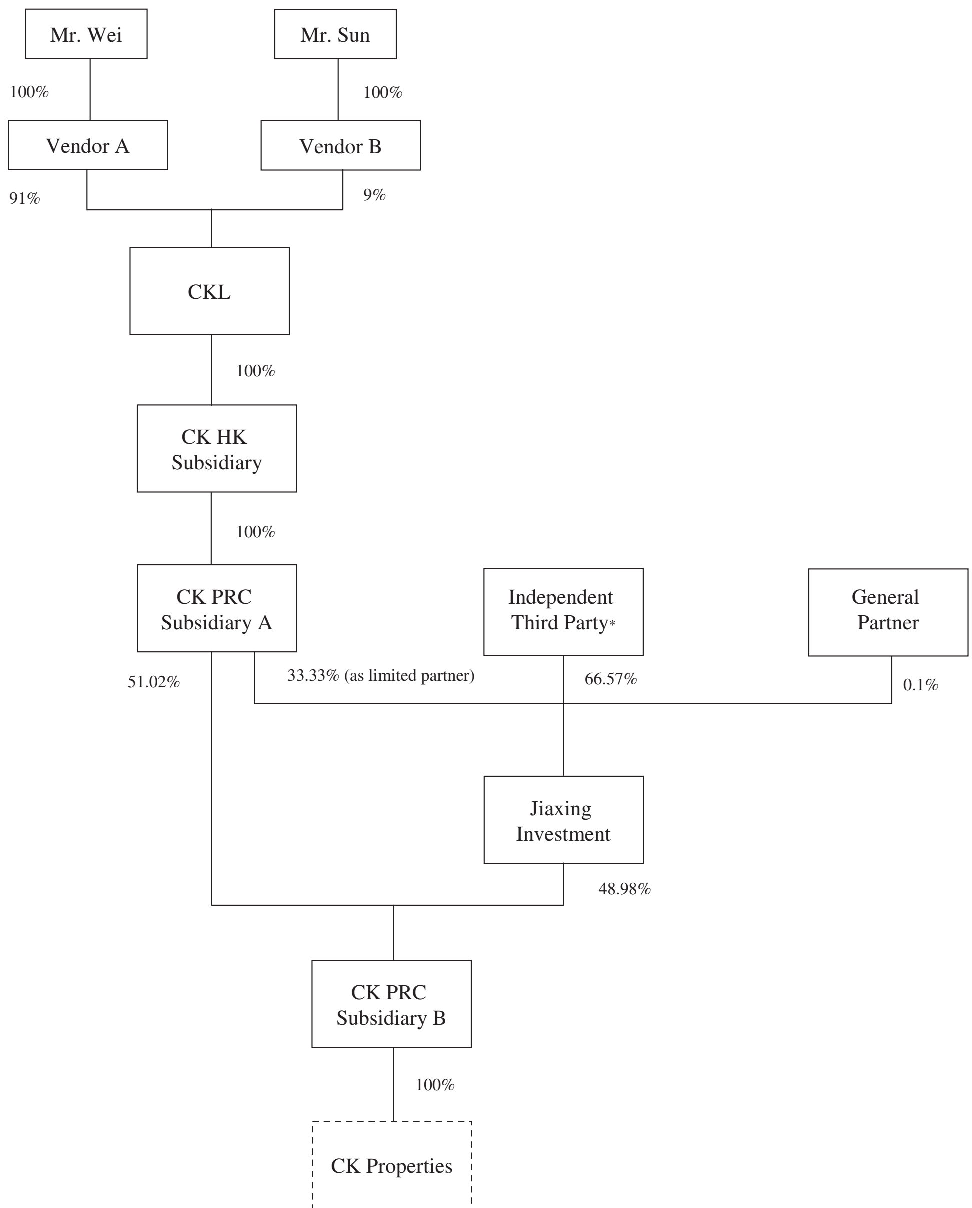
As stated in Appendix IV to the Circular, the Board noticed that the CK Properties are located next to a commercial property of the Group located in the Economic Technological Development Area in Yizhuang at the Southeast of Beijing, the PRC, which is surrounded by an area of large construction site under development. Upon completion of such constructions, the Directors consider that the demand for office space would be high due to the developments in the surrounding area. This would enhance the commercial operating capability of the CK Properties as a whole and thus the overall value.

Furthermore, Yizhuang, being one of the focused developing Beijing Economic-Technological Development Areas ("**BDA**") approved by the state council of the PRC government, located in the Southeast area from Beijing central business district area. The development of BDA is not limited to business development but also promotes population increase through constructing an alternative option of cheaper yet comfortable accommodation outside Beijing's central business district. According to the Yizhuang New Town Plan (2005-2020) as approved by Beijing Municipal People's Government in 2007 (the "**Plan**"), the population of Yizhuang is expected to reach approximately 700,000 by 2020, with annual growth rate of 12%. The Plan also states that the Beijing Municipal People's Government aims to turn Yizhuang into (i) an important area as a population transfer from the Beijing, the capital of the PRC; (ii) a development centre for high-technology business and advanced manufacturing business; (iii) a doorway for railways, highway transportation hub and logistic base; and (iv) as a demonstration area for government's innovative management. It is also stated in the Plan that the gross domestic product of Yizhuang is expected to achieve RMB300 billion by 2020, which accounts for approximately 15% of the total gross domestic product of Beijing, the PRC. Furthermore, in 2019, PRC authorities have published the Yizhuang New Town Plan (2017–2035) to update the Plan that the population of Yizhuang is expected to reach approximately 870,000 by 2035.

In addition, according to statistics published by Beijing Municipal Bureau of Statistics, residents in Beijing increased their disposable income as well as their expenses. According to the Beijing Statistical Yearbook 2018, the per capita disposable income of urban households in Beijing was approximately RMB62,406 in 2017, representing an increase of approximately 9.0% as compared to that in 2016. Based on the above, we concur with the Directors' view, notwithstanding that the Beijing property market may subject to short-term fluctuations attributable to the ongoing negotiations between the PRC and the United States of America governments, the Beijing property market will continue to develop on the back of the Thirteenth Five Year Plan as well as the expected on-going growth to the PRC economy.

3. Information of the CK Group

As set out in the Letter from the Board, the CK Group comprised of (i) CKL; (ii) CK HK Subsidiary; (iii) CK PRC Subsidiary A; and (iv) CK PRC Subsidiary B as at the Latest Practicable Date and the principal assets of the CK Group are the CK Properties. Further details of the shareholding structures of the CK Group as at the Latest Practicable Date and the information of CK Group and Jiaxing Investment are set out below.



* *This refers to Limited Partner A which is an Independent Third Party as disclosed in the Letter of the Board.*

(i) CKL

CKL is a company incorporated under the laws of the British Virgin Islands on 1 July 2015. As disclosed in the Letter from the Board, the principal business of CKL is investment holding. As at the Latest Practicable Date, CKL is directly owned by Vendor A and Vendor B as to 91% and 9%, respectively.

(ii) CK HK Subsidiary

CK HK Subsidiary is a company incorporated in Hong Kong with limited liability on 8 September 2015. As disclosed in the Letter from the Board, the principal business of CK HK Subsidiary is investment holding. As at the Latest Practicable Date, CK HK Subsidiary is directly wholly-owned by CKL.

(iii) CK PRC Subsidiary A

CK PRC Subsidiary A is a company established in the PRC with limited liability on 25 November 2016. As disclosed in the Letter from the Board, the principal business of CK PRC Subsidiary A is business management and business management consulting. As at the Latest Practicable Date, CK PRC Subsidiary A is directly wholly-owned by CK HK Subsidiary.

(iv) CK PRC Subsidiary B

CK PRC Subsidiary B is a company established in the PRC with limited liability on 30 November 2016. As disclosed in the Letter from the Board, the principal business of CK PRC Subsidiary B is among other things, rental of office space and commercial buildings and is the sole owner of CK Properties. As at the Latest Practicable Date, CK PRC Subsidiary B is directly owned by CK PRC Subsidiary A and Jiaxing Investment as to approximately 51.02% and approximately 48.98%, respectively.

(v) Jiaxing Investment

Jiaxing Investment is a limited partnership established in the PRC with limited liability on 9 October 2017. As disclosed in the Letter from the Board, the principal business of Jiaxing Investment is industry investment and investment management. As at the Latest Practicable Date, Jiaxing Investment is managed by the General Partner which held approximately 0.1% interest in Jiaxing Investment. The limited partners of Jiaxing Investment are CK PRC Subsidiary A and the Limited Partner A, having approximately 33.33% and approximately 66.57% interest in Jiaxing Investment, respectively.

Immediately upon the Completion, the 33.33% limited partner capital contribution by CK PRC Subsidiary A to Jiaxing Investment will be attributable to the Group through its acquisition of CKL, and Jiaxing Investment will not be a subsidiary of the Company immediately upon Completion.

As at the Latest Practicable Date, from the accounting point of view, the effective interest of CK Group in CK PRC Subsidiary B, which is the sole owner of CK Properties, was approximately 99.95% and since CK PRC Subsidiary B is treated as a subsidiary of CK Group, 100% of the value of CK Properties (i.e. RMB2,109 million) based on the valuation as of 30 April 2019 is recorded in CK Group's accounts as set out in the Letter from the Board.

Pursuant to the Partnership Agreement entered into among CK PRC Subsidiary A, General Partner and Limited Partner A, CK PRC Subsidiary A and Limited Partner A shall pay RMB345 million and RMB690 million, respectively, as capital of Jiaxing Investment. As at the Latest Practicable Date, the outstanding capital payable by Limited Partner A and PRC Subsidiary A are RMB44 million (i.e. the LP A's Outstanding Capital) and RMB21.5 million, respectively.

Further, pursuant to the share transfer agreement entered into between CK PRC Subsidiary A and Limited Partner A, (i) CK PRC Subsidiary A shall acquire Limited Partner A's investment in Jiaxing Investment upon Limited Partner A's request 24 months from the date of the respective payments of investment in Jiaxing Investment; and (ii) CK PRC Subsidiary A has the right to acquire Limited Partner A's investment in Jiaxing Investment twelve or eighteen months from the date of the respective payments of investment in Jiaxing Investment made by Limited Partner A. The Consideration of such acquisition will be up to RMB690 million (being the total contribution commitment of Limited Partner A to Jiaxing Investment under the Partnership Agreement). Additionally, pursuant to the same agreement, an interest at the rate of 8.9% per annum of the investment amount paid by Limited Party A shall be payable by CK PRC Subsidiary A to Limited Party A for the period from the date of investment to the date of acquisition. As at the Latest Practicable Date, Limited Partner A has already paid up RMB646 million (i.e. Redemption Amount) as the capital of Jiaxing Investment and such amount will be subject to the above acquisition, if requested by Limited Party A, after the said 24-months (which will be by the end of April 2021). If Limited Partner A later contributes the LP A's Outstanding Capital, the Redemption Amount will be increased to RMB690 million accordingly and CK PRC Subsidiary A will also need to pay all the outstanding interest at the said rate of 8.9% per annum.

(vi) CK Properties

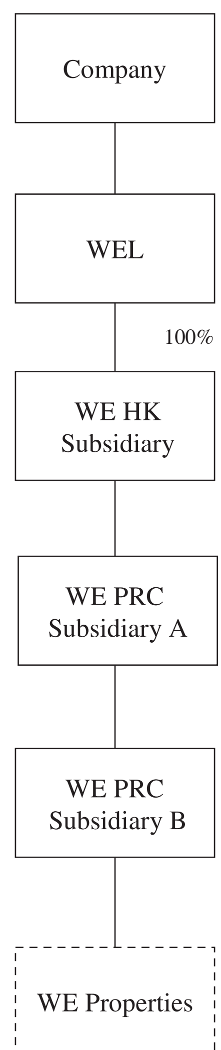
CK Properties are located at Building No.2 of Kingdom Guorui, No. 1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC* (中國北京經濟技術開發區榮華南路1號院2號樓), with a total gross floor area of approximately 46,164 square meters, which is for office use. As at the Latest Practicable Date, as disclosed in the Letter from the Board, CK PRC Subsidiary B has obtained all certificates of property ownerships of CK Properties.

As disclosed in the Letter from the Board, the Vendors incorporated each member of the CK Group. With respect to the acquisition of CK Properties by the Vendor, CK PRC Subsidiary B entered into presale contracts for properties in May 2017 and have obtained corresponding ownership certificates between July 2018 and April 2019.

As at 30 June 2019, the unaudited consolidated net asset value of CK Group was approximately RMB882.6 million (equivalent to approximately HK$1,006.1 million). As disclosed in the Letter from the Board, the original acquisition cost of CK Group (which mainly consists of the acquisition cost of CK Properties) is approximately RMB880 million (equivalent to approximately HK$1,003.2 million). For further details of the financial information of the CK Group, please refer to the section headed "INFORMATION ABOUT CK GROUP" in the Letter from the Board.

4. Information of the WE Group

The WE Group comprised of (i) WEL; (ii) WE HK Subsidiary; (iii) WE PRC Subsidiary A; and (iv) WE PRC Subsidiary B as at the Latest Practicable Date and the principal assets of the WE Group are the WE Properties. Further details of the shareholding structures of the WE Group as at the Latest Practicable Date and the information of the WE Group are set out below.



(i) WEL

WEL is a company incorporated under the laws of the British Virgin Islands on 1 July 2015. As disclosed in the Letter from the Board, the principal business of WEL is investment holding. As at the Latest Practicable Date, WEL is directly wholly-owned by the Company.

(ii) WE HK Subsidiary

WE HK Subsidiary is a company incorporated in Hong Kong with limited liability on 11 November 2015. The principal business of WE HK Subsidiary is investment holding. As at the Latest Practicable Date, WE HK Subsidiary is directly wholly-owned by WEL.

(iii) WE PRC Subsidiary A

WE PRC Subsidiary A is a company established in the PRC with limited liability on 19 January 2016. The principal business of WE PRC Subsidiary A is enterprise management, business management consulting and corporate planning. As at the Latest Practicable Date, WE PRC Subsidiary A is directly wholly-owned by WE HK Subsidiary.

(iv) WE PRC Subsidiary B

WE PRC Subsidiary B is a company established in the PRC with limited liability on 19 January 2016. The principal business of WE PRC Subsidiary B is, among other things, real estate development, rental of properties for commercial use and office use and is the sole owner of WE Properties. As at the Latest Practicable Date, WE PRC Subsidiary B is directly wholly-owned by WE PRC Subsidiary A.

(v) WE Properties

WE Properties are located at Building No.3 of Kingdom Guorui, No. 1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC* (中國北京經濟技術開發區榮華南路1號院3號樓), with a total gross floor area of approximately 28,056 square meters, which is for commercial use. As at the Latest Practicable Date, WE PRC Subsidiary B has obtained all certificates of property ownerships of WE Properties.

As at 30 June 2019, the unaudited net asset value of the WE Group was approximately RMB563.4 million. For further financial information of the WE Group and/or its subsidiaries, please refer to the section headed "INFORMATION ABOUT WE GROUP" in the Letter from the Board.

The acquisition of WE Group by the Company was completed on 31 August 2017. The total consideration for acquisition of WE Group was HK$673,364,000 settled by the issuance of consideration shares and convertible bonds by the Company.

5. Reasons for and benefit of entering into the Agreement

In considering the purchase of CK Shares, the Directors have taken into account (amongst other things) the following:

(a) the audited net asset value of CK Group as at 30 April 2019 (which has taken into account the fair value of CK Properties) represents a premium of approximately HK$331 million over the unaudited net asset value of WE PRC Subsidiary B as at 30 April 2019 (which has taken into account the fair value of WE Properties);

(b) the principal business of the members of CK Group, particularly CK PRC Subsidiary B (the major operating company of CK Group), is in line with the Group's principal business;

(c) the main assets of CK Group is CK Properties, the construction of which was completed and their property ownership certificates have also been obtained. 21 out of 129 units of CK Properties is currently being leased for rental income. It is currently intended that the Company would sell CK Properties units by units over a medium to long term for profit to generate a stable cashflow and income to the Company in the future;

(d) the main assets of WE Group is WE Properties. As disclosed in the Announcement, WE PRC Subsidiary B incurred losses of approximately HK$33.2 million and HK$26.8 million for the years ended 31 December 2017 and 2018, respectively, which were mainly due to the depreciation expense of WE Properties. After the Disposal, no additional depreciation expense in relation to the WE Properties will be incurred by the Group. On the other hand, as the Group may sell CK Properties for profit (instead of leasing them as a long-term strategic), in which case, they will be recognised as properties held for sale and as a result no depreciation is expected to be incurred for holding such CK Properties; and

(e) CK Properties are for office use and WE Properties are for commercial use. While WE Properties is operating as a clubhouse mainly for internal use with a small proportion leased to external parties, it is therefore more difficult to dispose of such properties in the open market as compared to that of the CK Properties as potential buyer for special property like the WE Group is considered comparatively more limited.

The Directors consider the Disposal represents an opportunity for the Group to realise its investment in WE Group and in substance, WE Properties, so as to enable the Group to re-allocate more resources to other projects with greater potential, such as CK Group.

In Addition, as disclosed in the Letter from the Board, the Directors are also aware of the fact that there are certain costs to be incurred after the Completion, such as, after the Acquisition, the Group is expected to assume the liability of Redemption Amount (as mentioned in the paragraph headed "INFORMATION ABOUT CK GROUP — (v) Jiaxing Investment" in the Letter from the Board) and certain loans of CK Group. It is expected that these liabilities of approximately HK$567 million, approximately HK$171 million and approximately HK$375 million will be due in 2020, 2021 and 2023, respectively.

In consideration of the above, it is the intention of the Group that the CK Properties will be acquired for trading purpose for the Group. Further, the Directors are of the view that the benefits resulted from the Acquisition and the Disposal will outweigh their respective relevant costs and therefore are in the interests of the Group and the Shareholders as a whole.

Our view

We concur with the Directors' view that the principal business of the members of the CK Group, in particular that the principal business of the CK PRC Subsidiaries B is, among others, rental of office space and commercial buildings, is in line with the Group's principal business, which include, among others, the property development and investment worldwide.

The Directors are of the view that the acquisition of the CK Group will allow the Group to generate a stable cashflow and income to the Company from selling the CK Properties unit by unit over a medium to long term for profit. Taken into consideration that (i) the market value of CK Properties are appraised at approximately RMB2,120 million as at 30 June 2019; (ii) as disclosed in the Letter from the Board, the unaudited turnover of the WE PRC Subsidiary B for the year ended 31 December 2018 amounted to approximately HK$11.4 million; (iii) the WE PRC Subsidiary B recorded losses after taxation for the years ended 31 December 2017 and 2018 despite the turnover recorded; (iv) the Group expected to generate cash proceeds from the sale of the 129 units of the CK Properties in the future; (v) based on the Letter from the Board, as at 30 April 2019, the audited consolidated net asset value of CK Group was approximately RMB882,570,000 (equivalent to approximately HK$1,006,129,800) compared to the unaudited net asset value of WE PRC Subsidiary B of approximately HK$675,177,137, and that according to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, the net assets of the Group would increase from approximately HK$3,454.5 million before the transactions to approximately HK$3,623.6 million after the transactions, based on the assumptions set out thereunder; and (vi) majority portion of the WE Properties are leased to various subsidiaries of the Group, which in effect does not generate external cash inflow to the Group, based on information available as at the Latest Practicable Date and barring unforeseen circumstances, we concur with the Directors' view that the Acquisition and Disposal are in the interests of the Shareholders and the Company as a whole after taking into account the cashflow to be generated through the sales of CK Properties in the future as per the future prospects of the CK Group as set out in Appendix IV to the Circular and the foregone rental income from the Tenancy Agreements of WE Properties upon the Disposal.

As advised by the Independent Valuer, based on the sales area of office and retail buildings in Beijing from 2016 to 2018, as extracted from the China Statistical Yearbook, the sales area for office buildings was considerably higher than that of retail buildings. The summary of the sales area of office and retail buildings are reproduced as below:

	Office *(square meters)*	**Retail** *(square meters)*
2018	1,083,400	746,300
2017	4,138,600	1,258,500
2016	2,430,200	848,100

Having considered the above information, we concur with the view of the Directors that there has been more floor areas transacted for office use compared to retail use, and thus assuming all other factors being constant, it would support that the property market for office use have a larger transaction volume in terms of area sold than that of commercial use.

Further analysis on the Acquisition and the Disposal by us is set out under paragraph headed "7. Analysis on the Consideration" in this letter below.

6. Principal terms of the Agreement

Set out below are the principal terms for the Agreement, which are extracted from the Letter from the Board.

Date: 16 July 2019

Parties: (1) The Company; and

(2) The Vendors

Vendor A is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Wei. Mr. Wei is an executive Director and the chairman of the Board, and is also the controlling Shareholder deemed under the SFO to be interested in approximately 70.21% of the issued Shares as at the Latest Practicable Date. Accordingly, Vendor A is a connected person of the Company under the Listing Rules.

Vendor B is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Sun. Mr. Sun is an executive Director and is also interested in approximately 4.27% of the issued Shares as at the Latest Practicable Date. Accordingly, Vendor B is a connected person of the Company under the Listing Rules.

Assets subject to the Agreement

Pursuant to the Agreement, the Vendors have conditionally agreed to sell and the Company has conditionally agreed to purchase the CK Shares in exchange for WE Shares.

Upon Completion, (a) the Group will hold 100% interest in each of CKL, CK HK Subsidiary and CK PRC Subsidiary A, approximately 51.02% interest in CK PRC Subsidiary B and approximately 33.3% in Jiaxing Investment and the financial results of CK Group will be consolidated into the financial statements of the Group; and (b) the Group will cease to hold any interest in WE Group and the financial results of WE Group will cease to be consolidated into the financial statements of the Group.

Subsequent to Completion and immediately upon the acquisition of Limited Partner A's investment in Jiaxing Investment by CK PRC Subsidiary A (as detailed in the paragraph headed "INFORMATION ABOUT CK GROUP — (v) Jiaxing Investment" in the Letter of the Board), the Group will indirectly hold 99.9% interest in Jiaxing Investment and approximately 99.95% interest in CK PRC Subsidiary B.

Consideration

As disclosed in the Letter from the Board, the consideration under the Agreement was determined after arm's length negotiations between the Company and the Vendors on normal commercial terms after taking into account, without limitation, (a) the preliminary valuations of CK Properties and WE Properties as at 31 May 2019; and (b) the unaudited net asset values of CK Group and WE PRC Subsidiary B as at 30 April 2019. The consideration under the Agreement is in the form of exchanging WE Shares for CK Shares. The exchange ratio has been determined as 1 CK Share in exchange for 1 WE Share.

The valuation of CK Properties as at 30 June 2019 as set out in the valuation report of the CK Properties in Appendix V to the Circular (the "**CK Properties Valuation Report**") was prepared based on Market Approach and the Income Approach (defined hereafter), which does not involve discounted cash flow method, was RMB2,120 million. This is because this valuation methodology applies by way of measuring the agreed income receivable pursuant to the contractual terms of the leases (i.e. rental income) from such period based on the agreed tenure under the leases. As advised by the Independent Valuer, the Independent Valuer considered that this valuation approach is appropriate, especially given that certain CK Properties are being leased. In addition, the Independent Valuer also counter-checked the results by Market Approach with reference to the comparable asking prices in the area.

WE Properties is operated as a clubhouse with restaurants, conference rooms, gymnasium, and other facilities subject to six tenancy agreements. Majority portion of WE Properties are leased to various subsidiaries of the Company and only two units on one floor of WE Properties are leased to Independent Third Parties for commercial use. Therefore, the Independent Valuer uses (a) Market Approach for the majority part of WE Properties that are leased to wholly-owned subsidiaries; and (b) the Income Approach to value the said two units that are leased to the Independent Third Parties. Neither approach involves profit forecast. Based on the said valuation approaches, the valuation of WE Properties as of the record date of 30 June 2019 was RMB682 million (approximately HK$777.5 million).

Consistent with the Company's experience and as advised by the Independent Valuer, Market Approach is the most common and reliable valuation approach for valuing property by reference to comparable market transactions/asking prices of similar properties. The rationale of this approach is to directly relate the market comparable transactions and asking prices with the property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the property and the comparable.

Taking into account the above, the Directors, excluding Mr. Wei and Mr. Sun who had abstained from voting at the Board resolutions approving the Agreement and the transactions contemplated thereunder, consider that the Consideration is fair and reasonable and on normal commercial terms or better and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Agreement is subject to the following conditions being fulfilled and satisfied on or before the Long Stop Date:

(i) the passing of the necessary resolution(s) by the Independent Shareholders of the Company at the EGM approving, inter alia, the Agreement, the Acquisition, the Disposal and the transactions contemplated thereunder;

(ii) the Company having completed the due diligence review conducted by the Company on the business, financial status, assets, liabilities and other aspects of the CK Group considered relevant by the Company and is satisfied with the results thereof in its view;

(iii) all necessary approvals in respect of the transactions contemplated under the Agreement required to be obtained by the Vendors having been obtained by the Vendors and not having been withdrawn before the Completion Date;

(iv) all necessary approvals in respect of the transactions contemplated under the Agreement required to be obtained by the Company having been obtained by the Company and not having been withdrawn before the Completion Date;

(v) there has been no material adverse change in the business, operation, performance or financial status of CK Group from the date of the Agreement up to date of the Completion Date;

(vi) there has been no material adverse change in the business, operation, performance or financial status of WE Group from the date of the Agreement up to date of the Completion Date;

(vii) CK PRC Subsidiary B having obtained the rights of state-owned construction land use and property ownership of CK Properties and such rights not having been withdrawn before the Completion Date;

(viii) WE PRC Subsidiary B having obtained the rights of state-owned construction land use and property ownership of WE Properties and such rights not having been withdrawn before the Completion Date;

(ix) the Vendors' warranties in the Agreement remaining true, accurate and not misleading in all material respect as at the Completion Date, as if such warranties are repeated on the Completion Date considering the facts and circumstance at that time;

(x) the Company's warranties in the Agreement remaining true, accurate, and not misleading in all material respect as at the Completion Date, as if such warranties are repeated on the Completion Date considering the facts and circumstance at that time;

(xi) the Vendors having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Agreement before the Completion Date; and

(xii) the Company having fully performed and complied with all the covenants and undertakings required to be performed or complied by it under the Agreement before the Completion Date.

The Vendors shall use its best endeavour to procure the fulfilment of the aforesaid conditions (ii), (iii), (v), (vii), (ix) and (xi).

The Company may waive the conditions (ii), (iii), (v), (vii), (ix) and (xi) above at any time by notice in writing to the Vendors. The Vendors may waive the conditions (iv), (vi), (viii), (x) and (xii) above at any time by notice in writing to the Company. Save for the aforementioned conditions, all other conditions cannot be waived.

If any of the conditions cannot be fulfilled (or otherwise waived) by the Long Stop Date, the Company will have the right to elect to terminate the Agreement or to agree in writing with the Vendors on a later date for such conditions to be fulfilled. If the Vendors and the Company cannot agree on such later date within 60 days after the Long Stop Date, the Agreement will be terminated.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

7. Analysis on the consideration

As advised by the Management, the consideration under the Agreement was determined after arm's length negotiations between the Company and the Vendors on normal commercial terms after taking into account, without limitation, (i) the valuations of the CK Properties and the WE Properties as at 30 June 2019; and (ii) the unaudited net asset values of the CK Group and the WE Group as at 30 June 2019. The consideration under the Agreement is in the form of exchanging WE Shares for CK Shares. The exchange ratio has been determined as 1 CK Share in exchange for 1 WE Share.

As set out in Appendix II to the Circular, (i) in accordance with the applicable accounting standards, CK PRC Subsidiary B is the indirect non-wholly owned subsidiary of CKL owned as to approximately 99.95% and therefore is part of the CK Group, after taking into consideration the call option (the "**Call Option**") and put option pursuant to the share transfer agreement entered into between the Target Group and the Limited Partner A and the General Partner; and (ii) in the opinion of the sole director of the Target Company, as the Call Option is likely to give the Target Group present access to returns associated with the ownership interest in CK PRC Subsidiary B and therefore there are no non-controlling interest presented in equity in respect of the effective equity interest of the CK PRC Subsidiary B held by the Limited Partner A of the financial statements of the CK Group, further details of which are set out in note 1 to the accountant's report of CK Group in Appendix II to the Circular.

The Directors advised that the Company currently has no intention to exercise the Call Option and it is the Directors' current intention to let the Call Option expire.

Based on the above analysis and information provided by the Management, the unaudited net asset value of the CK Group as at 30 June 2019 was approximately RMB882.6 million (after taken into account the fair value uplift based on the property valuation report), representing a premium of approximately RMB319.2 million to the unaudited net asset value of the WE Group as at 30 June 2019 of approximately RMB563.4 million (after taken into account the fair value uplift based on the property valuation report). The valuation methodology adopted by the Independent Valuer and our analysis thereof are further set out in the following section in this letter. On this basis, we concur with the view of the Directors that the terms of the Acquisition and the Disposal are in the interests of the Group and the Shareholders as a whole.

8. The valuation of the CK Properties

We have reviewed and discussed with Knight Frank Petty Limited, the Independent Valuer for the Group in respect of the valuation of the CK Properties and the WE Properties, the methodology of, and basis and assumptions adopted for, the valuation of the CK Properties (the "**Valuation**") as set out in the CK Properties Valuation Report.

We have discussed with the engagement team of the Independent Valuer as to their expertise, property valuation experience (further details of which are set out in the CK Properties Valuation Report) and their scope of work and valuation procedures conducted in relation to the CK Properties. The Independent Valuer has confirmed their independence and we noted that the Independent Valuer has 26 years of experiences in property valuation in the PRC and Hong Kong. We also noted that the Independent Valuer carried out a site visit in June 2019 to inspect the CK Properties, reviewed the copies of extracts of title documents relating to the CK Properties, and obtained the legal due diligence report prepared by the Group's PRC legal advisers. Based on the above, we are satisfied that the Independent Valuer is qualified for giving their opinion as set out in the CK Properties Valuation Report taken into account their relevant experiences and expertise, their independence, and their scope of work and valuation procedures conducted.

As set out in the CK Properties Valuation Report, the subject of the CK Properties Valuation Report is the Portion of Building No. 2 of Kingdom Guorui, No. 1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC. The CK Properties is a 35-storey office building erected on a 3-storey basement. The CK Properties was completed in 2018 and comprises a total gross floor area of approximately 46,164 square meters. The land use rights of the CK Properties have been granted for a term expiring on 21 June 2049 for commercial use and 21 June 2059 for composite use.

Basis of the CK Properties Valuation Report

As set out in the CK Properties Valuation Report, it was compiled with the HKIS Valuation Standards 2017 Edition published by the Hong Kong Institute of Surveyors.

According to the CK Properties Valuation Report, the market value is defined as:

"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."

On this basis, the valuation of the CK Properties as set out in the CK Properties Valuation Report would represent their respective market values.

Methodology of the valuation of CK Properties

As per our discussion with the Independent Valuer, in preforming the Valuation, the Independent Valuer has considered the three generally accepted valuation approaches, namely, the asset/cost approach, the market approach and the income approach.

The asset/cost approach is a general way of estimating the value of a business and/or equity interest using methods based on the market value of individual business assets less liabilities. The market approach is a general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to market comparables. For the market approach to be used, a sufficient number of comparable companies to make comparisons must be available, with the industry composition must be such that meaningful comparisons can be made. Lastly, the income approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realising those benefits.

As advised by the Independent Valuer, they have valued the CK Properties by adopting income approach — term and reversion method (the "**Income Approach**") and cross checked by market approach ("**Market Approach**").

The Income Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All other things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

Market Approach is considered as the most appropriate method of valuation when comparable information is adequate. In using this method, the Independent Valuer must compare the property under consideration with similar properties sold previously arriving at a value by adjusting the property value to reflect items such as location, date of transaction, maintenance, accessibility and a whole host of other considerations.

We understood from the Independent Valuer that income approach was adopted in order to take into account the contractual rental income from the CK Properties due to the following factors:

(i) there is no similar high-quality office for sale in the vicinity comparative to that of the CK Properties as evidence by its relative exceptional high rental commanded;

(ii) there were direct rental comparable transactions in the same development for the valuation of the vacant units. Implementation of income approach with the uses of the rental comparable transactions could enhance accuracy of the Valuation; and

(iii) the remaining vacant units of the CK Properties were intended to be leased for generating income in near future and application of income approach matched further with the purpose and the use of the CK Properties for Valuation purposes only. To avoid confusion, it is the intention of the Company to sell the CK Properties unit by unit over a medium to long term for business purposes.

In view of the above, the Independent Valuer considers that out of the three generally accepted valuation methodologies, namely the market approach, income approach and cost approach, the income approach is considered to be the most appropriate valuation methodology for the purpose of their valuation. Nonetheless, the income approach was cross-checked by the Market Approach.

Valuations of CK Properties

As extracted from the CK Properties Valuation Report, the market value of the CK Properties was approximately RMB2,120,000,000 as at 30 June 2019.

9. The valuation of the WE Properties

We have reviewed and discussed with the Independent Valuer the methodology of, and basis and assumptions adopted for, the valuation of the WE Properties as set out in the valuation report of the WE Properties in Appendix VI to the Circular (the "**WE Properties Valuation Report**").

We have discussed with the engagement team of the Independent Valuer as to their expertise, property valuation experience (further details of which are set out in the WE Properties Valuation Report) and their scope of work and valuation procedures conducted in relation to the WE Properties. The Independent Valuer has confirmed their independence and we noted that the Independent Valuer has 26 years of experiences in property valuation in the PRC and Hong Kong. We also noted that the Independent Valuer carried out a site visit in June 2019 to inspect the WE Properties, reviewed the copies of extracts of title documents relating to the WE Properties, and obtained the legal due diligence report prepared by the Group's PRC legal advisers. Based on the above, we are satisfied that the Independent Valuer is qualified for giving their opinion as set out in the WE Properties Valuation Report taken into account their relevant experiences and expertise, their independence, and their scope of work and valuation procedures conducted.

As set out in the WE Properties Valuation Report, the subject of the WE Properties Valuation Report is the Building No. 3 of Kingdom Guorui, No. 1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, the PRC. The WE Properties is a single-storey commercial building erected on a 2-storey basement. The WE Property was completed in 2013 and comprises a total gross floor area of approximately 28,057 square meters. The land use rights of the WE Properties have been granted for a term expiring on 21 June 2049 for commercial use.

Basis of the WE Properties Valuation Report

As set out in the WE Properties Valuation Report, it was compiled with the HKIS Valuation Standards 2017 Edition published by the Hong Kong Institute of Surveyors.

The basis of the valuation of the WE Properties as set out in the WE Properties Valuation Report is the same as the basis of the valuation of the CK Properties as set out in the section headed "8. The valuation of the CK Properties" in this letter and would represent their respective market values.

Methodology of the valuation of WE Properties

As advised by the Independent Valuer, they have valued the WE Properties by adopting the Market Approach for majority portion of the WE Properties that is occupied by wholly-owned subsidiaries of the Company, and adopting the Income Approach for remaining minority portion of the WE Properties that is leased to external parties for commercial use. Such methodology is also adopted in the valuation of CK Properties. Please refer to the section headed "8. The valuation of the CK Properties" in this letter for further details of the methodology of the valuation of WE Properties.

Valuations of WE Properties

As extracted from the WE Properties Valuation Report, the market value of the WE Properties was approximately RMB682,000,000 as at 30 June 2019.

Given that the consideration under the Agreement is determined based on (i) the valuation assumptions and methodologies used by the Independent Valuer; (ii) the valuation of the CK Properties of approximately RMB2,120,000,000 and that of the WE Properties of approximately RMB682,000,000 as at 30 June 2019; and (iii) the potential benefits as discussed in the section headed "Reasons for and benefit of entering into the Agreement" in the Letter from the Board, we consider that the consideration under the Agreement is on normal commercial terms, and is fair and reasonable so far as the Independent Shareholders are concerned.

10. Potential financial effect upon Completion

We were advised by the Directors that upon Completion, CKL will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the CK Group will be fully consolidated into the financial statements of the Group, while the WEL will cease to become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the WE Group will cease to be consolidated into the financial statements of the Group upon Completion.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III to the Circular (the "**Pro Forma Financial Information**") has been prepared by the Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition and the Disposal been completed on 31 December 2018 or any future date.

Possible effect on revenue and earnings of the Group

The audited profit attributable to the owners of the Company for the financial year ended 31 December 2018 as extracted from the 2018 Annual Report was approximately HK$9.6 million.

As advised by the Directors, the portion of the CK Properties is currently rented out. The Directors expected that, upon Completion, the revenue and earnings of the CK Group, which is mainly from the rental of office space, will be consolidated into the financial statements of the Group for the year ending 31 December 2019. As set out in the accountants' report of the CK Group in Appendix II to the Circular, the turnover of the CK Group was approximately HK$1.9 million (approximately RMB1.6 million) and HK$2.7 million (approximately RMB2.3 million) for the year ended 31 December 2018 and for the four months ended 30 April 2019, respectively. The Directors expected that the revenue of the CK Group could have a positive contribution to the revenue of the Group for the year ending 31 December 2019.

Possible effect on financial positions of the Group

The audited consolidated net assets of the Group as at 31 December 2018, as extracted from the 2018 Annual Report, were approximately HK$3,454.5 million. Based on the Pro Forma Financial Information, the pro forma net assets of the Enlarged Group would have been increased to approximately HK$3,623.6 million.

As disclosed in note 3 to the Pro Forma Financial Information, under the applicable financial reporting standards, the Acquisition is determined not to be a business but an asset acquisition. The CK Properties shall be reclassified to properties held for sale and measured at the then fair value of the WE Properties as at 31 December 2018 less the fair value of other assets and liabilities of the CK Group (i.e. other than the CK Properties) as at 30 April 2019. As disclosed in the pro forma adjustments to the Pro Forma Financial Information, the book value of CK Properties, as show under the properties held for sale in the Pro Forma Financial Information, is approximately HK$1,881.9 million, which is substantially lower than the fair value of the CK Properties of approximately HK$2,416.8 million (approximately RMB2,120.0 million) as at 30 June 2019.

Taken into consideration the analysis as set out in "8. The valuation of the CK Properties" and "9. The valuation of the WE Properties", in particular, the fair value of the CK Properties as set out in the CK Properties Valuation Report, the Pro Forma Financial Information is merely reflecting the hypothetical accounting effects of the transactions for illustrative purposes only and does not reflect the fair value of the CK Properties.

The audited consolidated total assets and total liabilities of the Group as at 31 December 2018, as extracted from the 2018 Annual Report, were approximately HK$5,030.1 million and HK$1,575.6 million, respectively. Based on the Pro Forma Financial Information, the pro forma total assets and total liabilities of the Enlarged Group would have been increased to approximately HK$6,256.7 million and HK$2,633.1 million, respectively.

The increase in both total assets and total liabilities of the Enlarged Group was mainly associated with the other total assets and the other total liabilities of the CK Group as the CK Group will be the subsidiary of the Company.

Possible effect on liquidity position of the Group

The audited cash and cash equivalents of the Group as at 31 December 2018 as extracted from the 2018 Annual Report were approximately HK$345.2 million. Based on the Pro Forma Financial Information, the pro forma cash and cash equivalents of the Enlarged Group would have been decreased to approximately HK$342.0 million. Such decrease is mainly the result of (i) the cash of the WE Group was disposed along with the Disposal; and (ii) the payment of the legal and professional services costs directly attributable to the Acquisition and the preparation of the Circular.

It should be noted that the above financial effects are for illustrative purpose only and do not purport to represent the financial performance and financial position of the Enlarged Group upon Completion.

After taking into consideration the paragraphs above and the paragraphs headed “5. Reasons for and benefit of entering into the Agreement”, “7. Analysis on the Consideration”, “8. The valuation of the CK Properties” and “9. The valuation of the WE Properties”, we consider that the Acquisition and the Disposal, as a whole, is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that the Agreement and the transactions contemplated thereunder are in the ordinary and usual course of the business of the Group, in the interests of the Company and the Shareholders as a whole, and the terms of the Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note:

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 21 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for each of the year ended 31 December 2016, 2017 and 2018 are disclosed in the annual report of the Company for the year ended 31 December 2016 published on 25 April 2017 (pages 126-221), the annual report of the Company for the year ended 31 December 2017 published on 24 April 2018 (pages 136-249) and the annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 160-289), respectively, all of which have been published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.grproperties.com.hk.

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2019, the Enlarged Group (as defined in the Circular) had (1) unsecured and unguaranteed shareholder's loans with an aggregate principal amount of approximately HK83,350,000 which bear interest at a fixed rate of 2% per annum; (2) unguaranteed loans from a joint venture partner with an aggregate principal amount of approximately HK$731,983,000 which bear interest at a fixed rate of 8.9% per annum and are secured by the shares of CK PRC Subsidiary B and certain investment properties of the Target Group; (3) unsecured and unguaranteed loans from related parties with an aggregate principal amount of approximately HK$398,001,000 which are interest-free or bear interest at rates ranging from 4.9% to 12% per annum; (4) secured and unguaranteed bank loans with an aggregate principal amount of approximately HK$974,247,000 which bear interest at rates ranging from 2.46% to 6.50% and are secured by certain investment properties of the Group; (5) lease liabilities with a present value of minimum lease payments of approximately HK$15,772,000; (6) unsecured and unguaranteed preference shares of a subsidiary with a total principal amount of approximately HK$15,656,000 which provide a fixed return at a rate of 7% to the holder which is a related party; and (7) unsecured and unguaranteed perpetual convertible bonds with a liability amount of approximately HK$49,327,000.

Contingent liabilities

In or about April 2019, a plaintiff commenced legal proceedings against a subsidiary of the Company in United States (the "**US**") alleging that the subsidiary's breach of a construction contract in relation to the Santa Monica Project for unpaid balance due on contract and sought damages for lost rent for delay in completion from the subsidiary. The first hearing was held on 19 August 2019 and the mediation session were agreed to be held on 23 October 2019.

Based on existing legal documents after having performed management's internal critical assessment of the aforesaid case and seeking advice from an independent legal advisor in the US, the directors of the Company are of the opinion that the Group has a reasonable ground of defence on the merits, therefore, no material adverse financial impact on the Group is expected.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 July 2019, the Enlarged Group did not have other debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding loans, bank overdrafts, or other similar indebtedness, liabilities under acceptances, trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or material contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into consideration the financial resources presently available to the Enlarged Group, which are primarily internal resources, cash flows from operations, and the continuing support from the Group's banks in providing additional and existing banking facilities to the Enlarged Group, the Enlarged Group will, following the completion, have sufficient working capital for its present requirements and for at least the next 12 months commencing from the date of this circular.

The Directors are not aware of any other factors that would have a material impact on the Enlarged Group's liquidity.

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were 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 consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As at the Latest Practicable Date, the Group was principally engaged in (i) the provision of property management services in Beijing, the PRC; and (ii) property development and investments in the UK, the PRC and the United States of America.

As disclosed in the 2018 annual report of the Company for the year ended 31 December 2018 ("**2018 Annual Report**"), it is generally believed that the international outlook will remain positive as economic fundamentals remain in good shape and it is expected that there will be a mild growth in the global economy. However, the ongoing trade war between the United States and the PRC, the UK Brexit status, the anticipated increase in interest rate are expected to be the main risks inherent to the global economy in 2019.

Looking ahead, the Group will continue to engage prominently in property development and investment, and the relevant asset management services. However, the Group would be more cautious in considering investments in the international markets such as the USA and Europe in accordance with the future development strategy of the Group. This should give diversification and a hedge against the future domestic businesses of the Group with a reasonable return to the Shareholders. Other than capturing investment opportunities to establish the position and engage in the property market in Los Angeles and London for income generating real estates with potential of capital appreciation in the long term and re-development in future, the Group's focus will also be on the execution of existing projects, including but not limited to enhancement of operating performance as well as facilitation of projects developments. Besides, the Group will not rule out any possibilities to divest its investment with decent return so as to create value for Shareholders in the longer term. The Directors believe that after those potential acquisitions and execution of existing projects, the Group will be able to broaden its income base through the stable rental incomes and profit from disposal generated from the properties.

The following is the text of a report for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

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The Board of Directors
GR Properties Limited

Dear Sirs,

We report on the historical financial information of Capable Kingdom Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-49, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2016, 2017 and 2018, and the four months ended 30 April 2019 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018 and 30 April 2019 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-49 forms an integral part of this report, which has been prepared for inclusion in the circular of GR Properties Limited (the "**Company**") dated 30 September 2019 (the "**Circular**") in connection with the proposed acquisition of 100% equity interest of the Target Company (the "**Proposed Acquisition**") by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 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 of the Company, 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 financial position of the Target Group and the Target Company as at 31 December 2016, 2017 and 2018 and 30 April 2019 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) *Engagements to Review Historical Financial Statements* 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 Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

No dividends have been paid by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

30 September 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Four months ended 30 April	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	5	—	—	1,641	—	2,333
Direct costs		—	(444)	(13,213)	(5)	(6,861)
Gross loss		—	(444)	(11,572)	(5)	(4,528)
Other income	6	—	2	110	1	6
Fair value gain of investment properties	10	—	—	1,224,443	—	15,000
Selling expenses		—	—	(378)	—	(51)
Administrative expenses		(23)	(20)	(572)	(109)	(245)
Finance costs	7	—	—	(23,533)	—	(19,212)
Profit/(loss) before tax	8	(23)	(462)	1,188,498	(113)	(9,030)
Income tax	9	—	—	(298,034)	—	1,292
Profit/(loss) for the year/period attributable to shareholders of the Target Company		(23)	(462)	890,464	(113)	(7,738)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(23)	(462)	890,464	(113)	(7,738)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of the Target Company's financial statements into its presentation currency	10	21	(38)	22	19
Other comprehensive income/(loss) for the year/period, net of income tax	10	21	(38)	22	19
Total comprehensive income/(loss) for the year/period attributable to shareholders of the Target Company	(13)	(441)	890,426	(91)	(7,719)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 April
		2016	**2017**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Investment properties	*10*	—	—	2,094,000	2,109,000
Intangible asset	*11*	—	—	15	13
Investment in a joint venture	*13*	—	—	—	—
Due from a joint venture	*13*	—	1,000	903	8,903
Total non-current assets		—	1,000	2,094,918	2,117,916
CURRENT ASSETS					
Prepayments and other receivables	*14*	—	—	44,032	46,269
Due from a fellow subsidiary	*15*	—	—	344	1,782
Due from related parties	*15*	—	—	—	72,200
Due from shareholders	*15*	347	323	341	332
Cash at banks	*16*	—	1,157	4,133	658
Total current assets		347	1,480	48,850	121,241
CURRENT LIABILITIES					
Trade payable	*17*	—	—	9,088	13,352
Other payables and accruals	*18*	—	500	159,706	6,907
Loans from related parties	*15*	—	—	38,300	38,300
Due to related parties	*15*	—	100	3,550	16,850
Loan from a joint venture partner	*15*	—	—	—	1,000
Due to the sole director	*15*	43	1,017	1,105	1,077
Total current liabilities		43	1,617	211,749	77,486

		At 31 December			At 30 April
		2016	2017	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS/(LIABILITIES)		304	(137)	(162,899)	43,755
TOTAL ASSETS LESS CURRENT LIABILITIES		304	863	1,932,019	2,161,671
NON-CURRENT LIABILITIES					
Other payables and accruals	*18*	—	—	3,446	7,109
Loans from related parties	*15*	—	1,000	244,250	330,250
Loans from a joint venture partner	*15*	—	—	496,000	645,000
Deferred tax liability	*19*	—	—	298,034	296,742
Total non-current liabilities		—	1,000	1,041,730	1,279,101
NET ASSETS/(LIABILITIES)		304	(137)	890,289	882,570
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE TARGET COMPANY					
Issued capital	*20*	325	325	325	325
Exchange fluctuation reserve		20	41	3	22
Retained profits/(accumulated losses)		(41)	(503)	889,961	882,223
Total equity/(deficiency in assets)		304	(137)	890,289	882,570

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Target Company			
	Issued capital *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Total *RMB'000*
Relevant Periods				
At 1 January 2016	325	10	(18)	317
Loss for the year and total comprehensive loss for the year	—	—	(23)	(23)
Other comprehensive income for the year:				
Exchange differences on translation of the Target Company's financial statements into its presentation currency	—	10	—	10
Total comprehensive income/(loss) for the year	—	10	(23)	(13)
At 31 December 2016 and 1 January 2017	325	20	(41)	304
Loss for the year	—	—	(462)	(462)
Other comprehensive income for the year:				
Exchange differences on translation of the Target Company's financial statements into its presentation currency	—	21	—	21
Total comprehensive income/(loss) for the year	—	21	(462)	(441)
At 31 December 2017 and 1 January 2018	325	41	(503)	(137)
Profit for the year	—	—	890,464	890,464
Other comprehensive loss for the year:				
Exchange differences on translation of the Target Company's financial statements into its presentation currency	—	(38)	—	(38)
Total comprehensive income/(loss) for the year	—	(38)	890,464	890,426
At 31 December 2018 and 1 January 2019	325	3	889,961	890,289
Loss for the period	—	—	(7,738)	(7,738)
Other comprehensive income for the period:				
Exchange differences on translation of the Target Company's financial statements into its presentation currency	—	19	—	19
Total comprehensive income/(loss) for the period	—	19	(7,738)	(7,719)
At 30 April 2019	325	22	882,223	882,570

	Attributable to shareholders of the Target Company			
	Issued capital	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Four months ended 30 April 2018 (Unaudited)				
At 1 January 2018	325	41	(503)	(137)
Loss for the period	—	—	(113)	(113)
Other comprehensive income for the period:				
Exchange differences on translation of the Target Company's financial statements into its presentation currency	—	22	—	22
Total comprehensive income/(loss) for the period	—	22	(113)	(91)
At 30 April 2018	325	63	(616)	(228)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Four months ended 30 April	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(23)	(462)	1,188,498	(113)	(9,030)
Adjustments:						
Bank interest income	*6*	—	(2)	(10)	(1)	(6)
Fair value gain of investment properties	*10*	—	—	(1,224,443)	—	(15,000)
Finance costs	*7*	—	—	23,533	—	19,212
Amortisation of an intangible asset	*8*	—	—	1	—	2
		(23)	(464)	(12,421)	(114)	(4,822)
Increase in prepayments and other receivables		—	—	(4,969)	—	(1,497)
Increase in an amount due from a fellow subsidiary		—	—	(344)	(100)	(1,438)
Increase in trade payable		—	—	9,088	—	4,264
Increase/(decrease) in other payables and accruals		—	500	3,209	834	(1,064)
Cash generated from/(used in) operations		(23)	36	(5,437)	620	(4,557)
Interest received		—	2	10	1	6
Net cash flows from/(used in) operating activities		(23)	38	(5,427)	621	(4,551)

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of investment properties	—	—	(752,526)	—	(156,791)
Acquisition of an intangible asset	—	—	(16)	—	—
Advances to related parties	—	—	—	—	(72,200)
Advances to a joint venture	—	(1,000)	—	—	(7,900)
Net cash flows used in investing activities	—	(1,000)	(752,542)	—	(236,891)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans from related parties	—	1,000	281,550	—	86,000
Advances from related parties	—	100	3,450	—	13,300
Loans from a joint venture partner	—	—	496,000	—	150,000
Advances from the sole director	24	1,017	26	—	—
Interest paid	—	—	(20,087)	—	(11,288)
Net cash flows from financing activities	24	2,117	760,939	—	238,012
Net increase/(decrease) in cash and cash equivalents	1	1,155	2,970	621	(3,430)
Cash and cash equivalents at beginning of year/period	—	—	1,157	1,157	4,133
Effect of foreign exchange rate changes	1	2	6	2	(45)
Cash and cash equivalents at end of year/period	—	1,157	4,133	1,780	658
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash at banks	—	1,157	4,133	1,780	658

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		At 31 December			At 30 April
		2016	**2017**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSET					
Investment in a subsidiary	*12*	9	9	9	9
CURRENT ASSETS					
Prepayments		—	—	9	6
Due from shareholders	*15*	347	323	341	332
Total current assets		347	323	350	338
CURRENT LIABILITY					
Due to the sole director	*15*	24	36	47	46
NET CURRENT ASSETS		323	287	303	292
TOTAL ASSETS LESS CURRENT LIABILITY		332	296	312	301
NET ASSETS		332	296	312	301
EQUITY					
Issued capital	*20*	325	325	325	325
Reserves	*21(b)*	7	(29)	(13)	(24)
Total equity		332	296	312	301

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company was incorporated in the British Virgin Islands (the "**BVI**") on 1 July 2015 with limited liability. The registered office of the Target Company is located at Unit 8, 3/F, Qwomar Trading Complex, Blackburne Road, Port Purcell, Road Town, Tortola, the BVI.

At 30 April 2019, in the opinion of the directors of the Company, the immediate and ultimate holding company of the Target Company was Winluck Global Limited, which was incorporated in the BVI with limited liability.

The Target Group was involved in the business of property investment in the mainland ("**Mainland China**") of the People's Republic of China (the "**PRC**") during the Relevant Periods since the purchase of certain floors of a commercial building located in Beijing, the PRC in 2018.

Particulars of the Target Company's subsidiaries, which all have substantially similar characteristics to a private company incorporated in Hong Kong, as at the end of each of the Relevant Periods are as follows:

Company name	Place and date of incorporation/ registration and operations	Issued ordinary share capital/ registered capital as at 30 April 2019	Percentage of equity attributable to the Target Company as at 31 December 2016	31 December 2017	31 December 2018	30 April 2019	Principal activities
Capable Point International Limited* *(note (a))*	Hong Kong 8 September 2015	Hong Kong dollar ("**HK$**") 10,000	100%	100%	100%	100%	Investment holding
北京凱朋商業管理有限公司 ("**Kaipeng Business Management**", *notes (a) and (c)*)	PRC/Mainland China 25 November 2016	RMB1,000,000	100%	100%	100%	100%	Investment holding
北京凱朋科技發展有限公司 ("**Beijing Kaipeng**", *notes (a) and (b)*)	PRC/Mainland China 30 November 2016	RMB1,000,000	99.95%	99.95%	99.95%	99.95%	Property investment

* Except for this entity which is directly held by the Target Company, all other subsidiaries are indirectly held by the Target Company.

Notes:

(a) No audited financial statements have been prepared for these entities for each of the periods/years ended 31 December 2016, 2017 and 2018.

(b) The Target Group and a joint venture partner indirectly held 67.35% and 32.60% effective equity interest in Beijing Kaipeng, respectively. Pursuant to a share transfer agreement entered into between the Target Group and the joint venture partner on 23 April 2018:

(i) the Target Group can acquire 66.57% equity interest in Jiaxing Investment (as defined in note 13(a), a joint venture which held 48.98% equity interest in Beijing Kaipeng) held by the joint venture partner at the consideration of the paid-up capital injected by the joint venture partner plus 8.9% return per annum at the corresponding date of capital injection of the 12th and 18th months (the "**Call Option**"); and

(ii) the joint venture partner can sell 66.57% equity interest in Jiaxing Investment held by it to the Target Group at the consideration of the paid-up capital injected by it plus 8.9% return per annum at the corresponding date of capital injection of 24th months (the "**Put Option**").

In the opinion of the directors of the Company, as the Call Option is likely to give the Target Group present access to returns associated with the ownership interest in the shares of Beijing Kaipeng held by the joint venture partner, therefore there are no non-controlling interest presented in equity in respect of the effective equity interest of Beijing Kaipeng held by the joint venture partner and the Target Group consolidated 99.95% equity interest in Beijing Kaipeng in the Historical Financial Information. The Target Group then recognised a financial liability for the present value of the consideration to be paid to the joint venture partner under the Call Option.

(c) Pursuant to a pledge agreement entered into between Kaipeng Business Management and the joint venture partner of Jiaxing Investment (as defined in note 13(a)) in April 2018, the shares of Beijing Kaipeng are pledged to the joint venture partner for the loan balance with a maximum guarantee amount of RMB690,000,000.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties which have been measured at fair value, and is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Historical Financial Information includes the financial information of the Target Company and its subsidiaries for the Relevant Periods and the period covered by the Interim Comparative Financial Information. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to shareholders of the Target Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Target Group considers that the adoption of the new and revised HKFRSs is unlikely to have a significant impact on the Target Group's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of a subsidiary are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Target Group; (ii) has significant influence over the Target Group; or (iii) is a member of the key management personnel of the Target Group or of a holding company of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group 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 Group or an entity related to the Target Group;

(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 holding company of the entity); and

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

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Target Group's investment in a joint venture is stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Target Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Target Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its joint venture is eliminated to the extent of the Target Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of a joint venture is included as part of the Target Group's investment in a joint venture.

If an investment in a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture, the Target Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Target Group measures its investment properties at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the period of the retirement or disposal.

Intangible assets (computer software)

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets of the Target Group are subsequently amortised over the useful economic life of 3 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

All the financial assets of the Target Group are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them.

In order for a financial asset (debt instrument) to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The Target Group measures financial assets at amortised cost (debt instruments) if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment

The Target Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Target Group are all classified, at initial recognition, as financial liabilities at amortised cost. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs. The Target Group's financial liabilities include trade payable, other payables and accruals, and loans from/amounts due to related parties, the sole director and a joint venture partner.

Subsequent measurement

After initial recognition, financial liabilities at amortised cost are 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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Revenue recognition

(a) Rental income

Rental income is recognised on a time proportion basis over the lease terms.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

The Target Company has used Renminbi as the presentation currency of the Historical Financial Information, which is different from the Target Company's functional currency of Hong Kong dollar, because management of the Target Group ordinarily use Renminbi for management reporting. Each entity in the Target Group determines its own functional currency and items included in the financial information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of the Target Company and a subsidiary incorporated in Hong Kong is a currency other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rate prevailing at the end of the reporting period and their profit or loss are translated into Renminbi at the weighted average exchange rate for the year/period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Target Company the subsidiary incorporated in Hong Kong are translated into Renminbi at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year/period are translated into Renminbi at the weighted average exchange rate for the year/period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the Historical Financial Information and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimation of fair value of investment properties

The fair values of the Target Group's investment properties are assessed by management based on property valuations performed by independent professionally qualified valuers. The assumptions adopted in the property valuations are based on information of annual rental income, supported by (i) the terms of any existing leases and other contracts; and (ii) (when possible) external evidence such as current market rents and recent prices for similar properties in the same location and condition.

Further details of the fair value estimation of the investment properties, including the key assumptions used for fair value measurement, are set out in note 10 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Operating segment information

No operating segment information is presented as the Target Group's revenue and reported results during each of the Relevant Periods, and the Target Group's total assets as at the end of each of the Relevant Periods were derived from or attributable to one single operating segment, i.e., property investment.

Geographical information

The Target Group's revenue during each of the Relevant Periods were all derived from external customers based in Mainland China, and the Target Group's non-current assets, excluding financial assets, as at the end of each of the Relevant Periods were all located in Mainland China.

Information about major customers

A summary of revenue earned from external customers which individually contributed more than 10% of the Target Group's total revenue during each of the Relevant Periods is set out below:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Customer A	—	—	528	—	729
Customer B	—	—	N/A*	—	273
Customer C	—	—	175	—	N/A*

* The corresponding revenue of these customers is not disclosed as they individually and not contribute more than 10% of the Group's total revenue for the relevant year.

5. REVENUE

Revenue represents the rental income received and receivable from leasing of investment properties, net of value-added tax.

6. OTHER INCOME

An analysis of the Target Group's other income is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Bank interest income	—	2	10	1	6
Forfeiture of a customer's deposit	—	—	100	—	—
	—	2	110	1	6

7. FINANCE COSTS

An analysis of the Target Group's finance costs is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on loans from:					
Related parties	—	—	3,750	—	4,066
A joint venture partner	—	—	19,783	—	15,146
	—	—	23,533	—	19,212

8. PROFIT/(LOSS) BEFORE TAX

The Target Group's profit/(loss) before tax is arrived at after charging:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Direct operating expenses (including repairs and maintenance) arising on rental-earning assets	—	444	13,213	5	6,861
Amortisation of an intangible asset* *(note 11)*	—	—	1	—	2

* This item is included in "Administrative expenses" on the face of the consolidated statements of profit or loss.

9. INCOME TAX

An analysis of the Target Group's income tax is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current *(note (a))*	—	—	—	—	—
Deferred *(note 19)*	—	—	298,034	—	(1,292)
	—	—	298,034	—	(1,292)

Notes:

(a) No provision for Hong Kong profits tax and the PRC corporate income tax has been made as the Target Group did not generate any assessable profits arising in Hong Kong and Mainland China during each of the Relevant Periods and the period covered by the Interim Comparative Financial Information.

(b) A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the PRC statutory tax rate to the tax expense/(credit) at the effective tax rate is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit/(loss) before tax	(23)	(462)	1,188,498	(113)	(9,030)
Tax expense/(credit) at the statutory tax rate of 25%	(4)	(116)	297,125	(28)	(2,258)
Expenses not deductible for tax	—	—	470	—	—
Tax losses not recognised	4	116	439	28	966
Tax expense/(credit) at the Target Group's effective tax rate	—	—	298,034	—	(1,292)

(c) Under HKAS 12 *Income Taxes*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Target Group measures its investment properties using the fair value model. Since the Target Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time through generating rental income, rather than through sale, the directors have rebutted the presumption in HKAS 12. Consequently, the Target Group continues to recognise deferred tax for its investment properties based on the expectation that they will be recovered through use.

10. INVESTMENT PROPERTIES

Target Group

	Notes	*RMB'000*
At 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018		—
Additions	*(a)*	869,557
Gain on a fair value adjustment	*(b)*	1,224,443
At 31 December 2018 and 1 January 2019		2,094,000
Gain on a fair value adjustment	*(b)*	15,000
At 30 April 2019		2,109,000

Notes:

(a) On 20 May 2017, the Target Group entered into conditional sale and purchase agreements with a related company in which the sole director of the Target Company has a beneficial interest for the acquisition of certain floors of a commercial building located in Beijing, the PRC for a total cash consideration of RMB887,007,000 (inclusive of value-added tax). The acquisition of the commercial properties was completed on 1 July 2018 upon the completion of construction and transfer of physical procession to the Target Group. The Target Group currently uses the commercial properties for leasing to third parties and accordingly, the commercial properties were classified as investment properties.

(b) The Target Group's investment properties were revalued as at the end of each of the Relevant Periods based on valuations performed by Knight Frank Petty Limited, independent professionally qualified valuers.

Fair value hierarchy disclosure

Fair value measurements of the Target Group's investment properties at 31 December 2018 and 30 April 2019 were using significant unobservable inputs (Level 3) as defined in HKFRS 13. During the year ended 31 December 2018 and the four months ended 30 April 2019, there was no transfer into or out of Level 3.

Below is a summary of the valuation technique used and the key inputs to the valuations of the Target Group's investment properties:

Valuation technique	Significant unobservable inputs	At 31 December 2016	At 31 December 2017	At 31 December 2018	At 30 April 2019
Income capitalisation approach	Equivalent yield	N/A	N/A	Retail portion: 5% Commercial portion: 4%	Retail portion: 5% Commercial portion: 4%
	Unit market rent per month (per square metre of gross lease area)	N/A	N/A	Retail portion: RMB260 Commercial portion: RMB149	Retail portion: RMB260 Commercial portion: RMB150

The income capitalisation approach is applied based on net rental income that can be derived from existing tenancies with due allowance for the reversionary potential of the properties.

A significant increase (decrease) in the unit market rent per month in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the equivalent yield and capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

(c) At 31 December 2018 and 30 April 2019, 104 out of 129 units of investment properties of the Target Group were pledged to secure the loans from the joint venture partner obtained by the Target Group (note 15).

11. INTANGIBLE ASSET

Target Group

	Computer software			
	Year ended 31 December			Four months ended 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period:				
Cost	—	—	—	16
Accumulated amortisation	—	—	—	(1)
Net carrying amount	—	—	—	15
Net carrying amount:				
At beginning of year/period	—	—	—	15
Additions	—	—	16	—
Amortisation provided during the year/period	—	—	(1)	(2)
At end of year/period	—	—	15	13
At end of year/period:				
Cost	—	—	16	16
Accumulated amortisation	—	—	(1)	(3)
Net carrying amount	—	—	15	13

12. INVESTMENT IN A SUBSIDIARY

Target Company

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	9	9	9	9

Particulars of the subsidiaries of the Target Group are set out in note 1 to the Historical Financial Information.

13. INTEREST IN A JOINT VENTURE

Target Group

		At 31 December			At 30 April
		2016	**2017**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Investment in a joint venture:					
Share of net assets	*(a)*	—	—	—	—
Due from a joint venture	*(b)*	—	1,000	903	8,903
Total interest in a joint venture		—	1,000	903	8,903

Notes:

(a) Particulars of the joint venture at the end of the Relevant Periods are as follows:

Company name	Place of incorporation and operation	Paid-up contribution	Ownership interest attributable to the Target Group	Voting power	Profit sharing	Principal activity
嘉興隆灝投資合夥企業(有限合夥) ("**Jiaxing Investment**")	PRC/ Mainland China	—	33.33%	33.33%	33.33%	Investment management

(b) The balance with the joint venture is unsecured, interest-free and has no fixed terms of repayment. The balance is not expected to be repaid within one year from each of the end of the Relevant Periods and hence it is classified as a non-current asset in the consolidated statements of financial position.

14. PREPAYMENTS AND OTHER RECEIVABLES

Target Group

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	—	—	9	6
Other receivable *(note)*	—	—	4,960	6,460
Other taxes recoverable	—	—	39,063	39,803
	—	—	44,032	46,269

Note: The amount represented the deposit placed in a trust insurance fund of the joint venture partner of the Target Group's joint venture, which is unsecured, bears interest at the then prevailing 1-year fixed deposit rate promulgated by the People's Bank of China, and is repayable upon the termination of the fund.

15. BALANCES WITH A FELLOW SUBSIDIARY, RELATED PARTIES, SHAREHOLDERS, A JOINT VENTURE PARTNER AND THE SOLE DIRECTOR

All balances with a fellow subsidiary, related parties, shareholders, a joint venture partner and the sole director of the Target Company are unsecured, interest-free and have no fixed terms of repayment, except for the following balances:

(a) a loan of RMB10,000,000 as at 31 December 2018 and 30 April 2019 advanced from a related party (an entity owned by a key management personnel of the Company) which bears interest at the rate of 12% per annum and is repayable within one year;

(b) loans of RMB221,500,000 and RMB307,550,000 as at 31 December 2018 and 30 April 2019, respectively, advanced from related parties (entities owned by a key management personnel of the Company) which bear interest at the rate of 4.9% per annum and are repayable in 2023;

(c) an interest-free loan of RMB50,000,000 as at 31 December 2018 and 30 April 2019 advanced from a related party (an entity controlled by Ms. Li Chang, an associate of Mr. Wei and a connected person of the Company), of which RMB28,300,000 and RMB28,300,000 as at 31 December 2018 and 30 April 2019 is repayable within one year and the remaining portion is repayable in 2023; and

(d) an interest-free loan of RMB1,000,000 as at 31 December 2017 and 2018 and 30 April 2019 advanced from a related party (an entity owned by Mr. Wei) which is repayable in 2020; and

(e) as detailed in note 1(b) to the Historical Financial Information, the Target Group recognised the paid-up capital injected by the joint venture partner in Beijing Kaipeng as loans from the joint venture partner. As at 31 December 2018 and 30 April 2019, aggregate amounts of RMB496,000,000 and RMB646,000,000, respectively, were advanced from the joint venture partner which bear interest at the rate of 8.9% per annum, are repayable within two years upon injection, and secured by shares of Beijing Kaipeng and certain investment properties held by the Target Group as detailed in notes 1(c) and 10(c) to the Historical Financial Information, respectively.

The loans from the joint venture partner is analysed into the following amounts repayable:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	—	1,000
In the second year	—	—	496,000	645,000
	—	—	496,000	646,000

16. CASH AT BANKS

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Cash at banks of the Target Group denominated in RMB as at 31 December 2017 and 2018 and 30 April 2019 amounted to RMB1,157,000, RMB4,115,000 and RMB641,000, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

17. TRADE PAYABLE

Trade payable of the Target Group as at 31 December 2018 and 30 April 2019 represented property management fee payable to a fellow subsidiary of the Target Group. The balance is unsecured, interest-free and has no fixed terms of repayment.

An ageing analysis of the Target Group's trade payable as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Target Group

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	—	—	9,088	4,264
Over 3 months	—	—	—	9,088
	—	—	9,088	13,352

18. OTHER PAYABLES AND ACCRUALS

Target Group

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Rental deposits	—	500	2,464	2,464
Receipts in advance	—	—	1,147	182
Interest payable on loans from a joint venture partner	—	—	—	4,261
Interest payables on loans from related parties	—	—	3,446	7,109
Consideration payable for the acquisition of investment properties	—	—	156,095	—
Total other payables and accruals	—	500	163,152	14,016
Portion classified as current liabilities	—	(500)	(159,706)	(6,907)
Non-current portion	—	—	3,446	7,109

19. DEFERRED TAX LIABILITY

The components of deferred tax liability and its movements during the Relevant Periods are as follows:

Target Group

	Arising from		
	Tax losses	**Revaluation of investment properties**	**Net deferred tax liability**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018	—	—	—
Deferred tax charged/(credited) to profit or loss during the year *(note 9)*	(11,998)	310,032	298,034
At 31 December 2018 and 1 January 2019	(11,998)	310,032	298,034
Deferred tax charged/(credited) to profit or loss during the period *(note 9)*	(7,222)	5,930	(1,292)
At 30 April 2019	(19,220)	315,962	296,742

At 31 December 2017 and 2018 and 30 April 2019, deferred tax assets have not been recognised in respect of unutilised tax losses of RMB20,000, RMB3,476,000 and RMB7,139,000, respectively, as they have arisen in the Target Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Tax losses arising in Mainland China of RMB443,000, RMB51,215,000 and RMB83,723,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively, will expire in one to five years.

20. SHARE CAPITAL

Target Company

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised, issued and fully paid:				
50,000 ordinary shares of US$1 each	325	325	325	325

The Target Company was established on 1 July 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each, all of which were allotted and issued on the same date to its shareholders to provide the initial working capital to the Target Company.

21. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and the movements therein for each of the Relevant Periods and the period covered by the Interim Comparative Financial Information are presented in the consolidated statements of changes in equity.

(b) Target Company

	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Relevant Periods			
At 1 January 2016	—	(7)	(7)
Loss for the year	—	(7)	(7)
Other comprehensive income for the year:			
Exchange differences on translation of the Target Company's financial statements into its presentation currency	21	—	21
Total comprehensive income/(loss) for the year	21	(7)	14
At 31 December 2016 and 1 January 2017	21	(14)	7
Loss for the year	—	(14)	(14)
Other comprehensive loss for the year:			
Exchange differences on translation of the Target Company's financial statements into its presentation currency	(22)	—	(22)
Total comprehensive loss for the year	(22)	(14)	(36)
At 31 December 2017 and 1 January 2018	(1)	(28)	(29)
Profit for the year	—	—	—
Other comprehensive income for the year:			
Exchange differences on translation of the Target Company's financial statements into its presentation currency	16	—	16
Total comprehensive income for the year	16	—	16
At 31 December 2018 and 1 January 2019	15	(28)	(13)
Loss for the period	—	(3)	(3)
Other comprehensive loss for the period:			
Exchange differences on translation of the Target Company's financial statements into its presentation currency	(8)	—	(8)
Total comprehensive loss for the period	(8)	(3)	(11)
At 30 April 2019	7	(31)	(24)

22. NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in liabilities arising from financing activities are as follows:

Target Group

	Loans from related parties	Due to related parties	Interest payable on loans from related parties*	Loans from a joint venture partner	Due to the sole director	Interest payable on loans from a joint venture partner*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	—	—	—	—	18	—
Changes from financing cash flows	—	—	—	—	24	—
Exchange realignment	—	—	—	—	1	—
At 31 December 2016 and 1 January 2017	—	—	—	—	43	—
Changes from financing cash flows	1,000	100	—	—	1,017	—
Exchange realignment	—	—	—	—	(43)	—
At 31 December 2017 and 1 January 2018	1,000	100	—	—	1,017	—
Changes from financing cash flows	281,550	3,450	(304)	496,000	26	(19,783)
Interest expense	—	—	3,750	—	—	19,783
Exchange realignment	—	—	—	—	62	—
At 31 December 2018 and 1 January 2019	282,500	3,550	3,466	496,000	1,105	—
Changes from financing cash flows	86,000	13,300	(403)	150,000	—	(10,885)
Interest expense	—	—	4,066	—	—	15,146
Exchange realignment	—	—	—	—	(28)	—
At 30 April 2019	368,550	16,850	7,109	646,000	1,077	4,261

* These balances are included in "Other payables and accruals" on the face of the consolidated statements of financial position.

23. OPERATING LEASE ARRANGEMENTS AS LESSOR

The Target Group leases its investment properties (note 10) to third parties with the leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the Target Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Target Group

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	5,789	5,789
In the second to fifth years, inclusive	—	—	2,472	2,252
	—	—	8,261	8,041

24. CAPITAL COMMITMENT

The Target Group had the following capital commitment as at the end of each of the Relevant Periods:

Target Group

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Purchase of investment properties	—	887,007	—	—

25. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Group had the following transactions with related parties during the Relevant Periods and the period covered by the Interim Comparative Financial Information:

Target Group

		Year ended 31 December			Four months ended 30 April	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Purchase of investment properties from a related company in which the sole director of the Target Company has a beneficial interest	*10(a)*	—	—	886,441	—	—
Interest expenses paid and payable to related parties	*15(a), (b)*	—	—	3,750	—	4,066
Property management fees paid and payable to a fellow subsidiary*		—	—	9,088	—	4,264

* The transaction prices were determined by reference to the then prevailing market rates.

Save as disclosed above and in notes 14, 15, 17 and 18 to the Historical Financial Information, the Target Group did not have any material transactions or balances with related parties during the Relevant Periods and the period covered by the Interim Comparative Financial Information or as at the end of each of the Relevant Periods.

(b) In the opinion of the sole director of the Target Company, the sole director is the only key management personnel of the Target Group. During each of the Relevant Periods and the period covered by the Interim Comparative Financial Information, no compensation was paid to the key management personnel.

26. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities of the Target Group and the Target Company as at 31 December 2016, 2017 and 2018 and 30 April 2019 were financial assets and financial liabilities stated at amortised cost, respectively.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

For non-current financial assets and liabilities, in the opinion of the directors of the Company, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group is exposed to financial risk arising from its operations and the use of financial instruments. The key financial risk includes interest rate risk, credit risk and liquidity risk. The sole director of the Target Company reviews and agrees policies and procedures for the management of this risk. It is, and has been throughout the years under review, the Target Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Target Group's exposure to the above-mentioned financial risk and objectives, policies and processes for the management of this risk.

Interest rate risk

The Target Group has significant bank deposits to earn interest income at floating interest rates which are exposed to cash flow interest-rate risk. The Target Group does not hedged its cash flow interest rate risk. The sole director of the Target Company considers that the Target Group's exposure of cash flow interest rate risk on the bank deposits is insignificant as most deposits bear variable interest rates which did not significantly fluctuated in recent years.

Credit risk

The carrying amounts of other receivables, amounts due from a fellow subsidiary and related parties and cash at banks represent the Target Group's maximum exposure to credit risk in relation to financial assets.

The Target Group applies the general approach to provide for ECLs on other receivables and amounts due from a fellow subsidiary and related parties, which are estimated by reference to past default experience of the debtors and the current market condition in relation to the exposure. Based on the management's analysis, loss on collection is not material and hence no provision is provided.

The credit risk on bank balances are minimal as all the Target Group's bank balances are held in major financial institutions located in Hong Kong and Mainland China, which management believes are of high credit quality.

Liquidity risk

The Target Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Target Group's objective is to maintain a balance between continuity of funding and flexibility through cash receipts from the issue of shares, as well as the strict control over its daily operating expenses. Accordingly, the Target Group expects to have adequate sources of funding to finance the Target Group's operations and manage its liquidity position.

The following table details the Target Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each of the Relevant Periods.

Liquidity risk tables

	Undiscounted cash flows			
	Repayable on demand or within 1 year	1-5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Target Group				
At 31 December 2016				
Due to the sole director	43	—	43	43
At 31 December 2017				
Other payables and accruals	500	—	500	500
Loan from a related party	1,000	—	1,000	1,000
Due to a related party	100	—	100	100
Due to the sole director	1,017	—	1,017	1,017
	2,617	—	2,617	2,617
At 31 December 2018				
Trade payable	9,088	—	9,088	9,088
Other payables and accruals	159,706	3,446	163,152	163,152
Loans from related parties	50,040	284,228	334,268	282,550
Due to related parties	3,550	—	3,550	3,550
Loans from a joint venture partner	44,144	520,834	564,978	496,000
Due to the sole director	1,105	—	1,105	1,105
	267,633	808,508	1,076,141	955,445
At 30 April 2019				
Trade payable	13,352	—	13,352	13,352
Other payables and accruals	6,907	7,109	14,016	14,016
Loans from related parties	53,860	383,431	437,291	368,550
Due to related parties	16,906	—	16,906	16,906
Loans from a joint venture partner	58,494	668,196	726,690	646,000
Due to the sole director	1,077	—	1,077	1,077
	150,596	1,058,736	1,209,332	1,059,901

	Undiscounted cash flows			
	Repayable on demand or within 1 year	1-5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Target Company				
At 31 December 2016				
Due to the sole director	27	—	27	27
At 31 December 2017				
Due to the sole director	43	—	43	43
At 31 December 2018				
Due to the sole director	53	—	53	53
At 31 December 2019				
Due to the sole director	53	—	53	53

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may issue new shares. No changes were made in the objectives, policies or processes for managing capital during each of the Relevant Periods and the period covered by the Interim Comparative Financial Information.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of its subsidiaries in respect of any period subsequent to 30 April 2019.

The information set out in this appendix does not form part of the accountants' report prepared by the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, set out in Appendix II to this Circular and is included herein for information only.

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

(1) INTRODUCTION

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Pro Forma Statement**") set out in section (2) below has been prepared by the Directors in accordance with rule 14.67 of the Listing Rules, for illustrative purpose only, to provide information about how the proposed Acquisition might have affected the financial position of the Group as if the Acquisition had been completed on 31 December 2018.

The Pro Forma Statement has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2018 as set out in the Company's annual report for the year ended 31 December 2018 and the audited consolidated statement of financial position of the Target Group as at 30 April 2019 as set out in the accountants' report of the Target Company included in Section I of Appendix II to this circular, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition and (ii) factually supportable, as further described in the accompanying notes in section (2) below.

The Pro Forma Statement 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 Pro Forma Statement, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2018. Furthermore, the Pro Forma Statement does not purport to predict the Enlarged Group's future financial position. The Pro Forma Statement should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and that of the Target Group, as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

(2) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2018

	The Group as at 31 December 2018	The Target Group as at 30 April 2019		Pro forma adjustments				Unaudited pro forma: The Enlarged Group as at 31 December 2018
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	*(Note 3(d))*	
NON-CURRENT ASSETS								
Property, plant and equipment	785,360	—	—	(771,598)				13,762
Investment properties	2,175,670	2,109,000	2,462,640		(2,462,640)			2,175,670
Intangible assets	893	13	15					908
Due from a joint venture	—	8,903	10,396					10,396
Non-current deposits	1,525,745	—	—					1,525,745
Deferred tax assets	12,579	—	—					12,579
Total non-current assets	4,500,247	2,117,916	2,473,051					3,739,060
CURRENT ASSETS								
Properties held for sale	—	—	—		1,881,938			1,881,938
Inventories	1,497	—	—					1,497
Trade receivables	24,629	—	—			(15,591)		9,038
Prepayments, deposits and other receivables	80,712	6,466	7,550	(395)				87,867
Due from a fellow subsidiary	—	1,782	2,081			(2,081)		—
Due from shareholders	—	332	388					388
Due from related companies	13,357	72,200	84,307	(13,556)				84,108
Other taxes recoverable	2,131	39,803	46,477	(94)				48,514
Debt investment at fair value through other comprehensive income	23,113	—	—					23,113
Pledged bank deposit	39,230	—	—					39,230
Cash and cash equivalents	345,163	658	768	(1,729)			(2,245)	341,957
Total current assets	529,832	121,241	141,571					2,517,650

	The Group as at 31 December 2018	The Target Group as at 30 April 2019		Pro forma adjustments				Unaudited pro forma: The Enlarged Group as at 31 December 2018
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3(a))*	*(Note 3(b))*	*(Note 3(c))*	*(Note 3(d))*	
CURRENT LIABILITIES								
Trade payables	65,929	13,352	15,591			(15,591)		65,929
Receipts in advance	84,028	182	211					84,239
Other payables and accruals	113,167	6,725	7,854	(12,519)				108,502
Due to a shareholder	1,437	—	—					1,437
Due to a director	2,557	1,077	1,258	(1,252)				2,563
Due to related companies	95,142	16,850	19,675	(45,586)		(2,081)		67,150
Loans from related parties	—	38,300	44,722					44,722
Loan from a joint venture partner	—	1,000	1,168					1,168
Bank borrowings	247,010	—	—					247,010
Preference shares of a subsidiary	15,671	—	—					15,671
Income tax payables	12,362	—	—	(935)				11,427
Other taxes payable	7,449	—	—					7,449
Total current liabilities	644,752	77,486	90,479					657,267
NET CURRENT ASSETS/(LIABILITIES)	(114,920)	43,755	51,092					1,860,383
TOTAL ASSETS LESS CURRENT LIABILITIES	4,385,327	2,161,671	2,524,143					5,599,443
NON-CURRENT LIABILITIES								
Other payables	—	7,109	8,301					8,301
Due to related companies	—	330,250	385,627					385,627
Loans from a joint venture partner	—	645,000	753,154					753,154
Bank borrowings	776,084	—	—					776,084
Liability component of perpetual convertible bonds	48,929	—	—					48,929
Deferred tax liabilities	105,799	296,742	346,500	(102,078)	(346,500)			3,721
Total non-current liabilities	930,812	1,279,101	1,493,582					1,975,816
Net assets	3,454,515	882,570	1,030,561					3,623,627

Notes:

1. The balances are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2018, as set out in the published annual report of the Company for the year ended 31 December 2018.

2. The balances are extracted from the audited consolidated statement of financial position of the Target Group as at 30 April 2019, as set out in Appendix II to this Circular, and are translated into Hong Kong dollar at the translation rate of RMB100 = HK$116.77.

3. (a) Being adjustment to reflect the disposal of the entire interest in Wholly Express Limited (the "**Disposal**") for the purpose of exchanging the entire equity interest in the Target Company.

In connection with the Acquisition, the Group underwent a reorganisation (the "**Reorganisation**"), which involved the setting up of a holding company to acquire the operation of the recreational centre business from Wholly Express Limited. The Reorganisation has been completed on 20 June 2019.

The adjustment on the Disposal has been compiled by the Directors to illustrate the impact of the Reorganisation on the financial position of Wholly Express Limited as at 31 December 2018 as if the Reorganisation had taken place on 31 December 2018

(b) Under Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), the Acquisition met the concentration test as substantially all of the fair value of the gross assets of the Target Group acquired is concentrated in a single identifiable asset, which is the CK Property, therefore the Acquisition is determined not to be a business but an asset acquisition.

In the opinion of the Directors, it is intended that the CK Property will be acquired for trading purpose, therefore the investment properties of the Target Group are reclassified as properties held for sale upon the completion of the Acquisition and shall be measured at the then fair value of the property of the Wholly Express Group (the "**Property Given Up**", which was given up under this exchange transaction), less the fair value of other assets and liabilities of the Target Group at the date of completion of the Acquisition (the "**Acquisition Date**") in accordance with HKAS 16 *Property, Plant and Equipment*.

The carrying amount of the CK Property to be recorded by the Group upon the completion of the Acquisition is analysed as follows:

	HK$'000
I. The Acquisition Date fair value of the Property Given Up*	796,359
II. Fair value of other assets and liabilities of the Target Group as at 30 April 2019:	
Net assets of the Target Group as at 30 April 2019	1,030,561
Less: Carrying amount of the CK Property as at 30 April 2019	(2,462,640)
Less: Deferred tax liability arising from revaluation of CK Property as at 30 April 2019	346,500
Fair value of other assets and liabilities of the Target Group as at 30 April 2019*	(1,085,579)
The carrying amount of the CK Property to be recorded by the Group upon the completion of the Acquisition (I) – (II)	1,881,938

* For illustrative purpose only with respect to this unaudited Pro Forma Statement, it is assumed that the carrying amount of the Property Given Up in the books of the Group as at 31 December 2018 and those of the other assets and liabilities of the Target Group as at 30 April 2019 represented their fair value.

The difference between the cost of the Acquisition (being the Acquisition Date fair value of the Property Given Up) and the carrying amount of the Property Given Up as at the Acquisition Date shall be recognised directly in equity as part of the capital reserve because the Acquisition is an asset exchange transaction with the controlling shareholders of the Company. For the illustrative purpose only with respect to this unaudited Pro Forma Statement, it is assumed that the carrying amount of the Property Given Up in the books of the Group as at 31 December 2018 represented its fair value and hence no amount was recognised in the capital reserve in this unaudited Pro Forma Statement.

(c) Being elimination of balances between the Group and the Target Group as at 30 April 2019.

(d) Being adjustment to reflect the legal and professional service costs directly attributable to the Acquisition and the preparation of this circular, which are estimated to be HK$2,245,000. Transaction costs are expensed as incurred.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Section A of Appendix III to this Circular.

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To the Directors of GR Properties Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of GR Properties Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information (the "**Pro Forma Financial Information**") consists of the pro forma statement of assets and liabilities of the Enlarged Group (as defined in a circular dated 30 September 2019 (the "**Circular**") issued by the Company in connection with the proposed acquisition (the "**Proposed Acquisition**") of 100% equity interest in Capable Kingdom Limited (the "**Target Company**", together with its subsidiaries, referred to as the "**Target Group**") by the Company) as at 31 December 2018 and related notes as set out in Section A of Appendix III to the Circular. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix III to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 December 2018 as if the Proposed Acquisition had taken place on 31 December 2018. As part of this process, information about the assets and liabilities of the Group and the Target Group has been extracted by the Directors from the Company's published annual report for the year ended 31 December 2018 and the financial information of the Target Group for the four months ended 30 April 2019 (on which an accountants' report has been published), respectively.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with rule 4.29 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 Unaudited 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 requirements 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by rule 4.29(7) of the Listing Rules, on the Pro Forma Financial Information 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 Pro Forma Financial Information 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 Unaudited Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with rule 4.29 of the Listing Rules and with reference to AG 7 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 Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

(a) the Pro Forma Financial Information 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 purpose of the Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
30 September 2019

*Set out below is the management discussion and analysis of CK Group for the financial years ended 31 December 2017 and 2018 and the four months ended 30 April 2019 (the "**Relevant Periods**"). The following financial information is based on the Accountants' Report on CK Group as set out in Appendix II to this circular.*

MANAGEMENT DISCUSSION AND ANALYSIS ON CK GROUP

General information and business review

(i) CKL

CKL is a company incorporated under the laws of the British Virgin Islands on 1 July 2015.

(ii) CK HK Subsidiary

CK HK Subsidiary is a company incorporated in Hong Kong with limited liability on 8 September 2015. As advised by the Vendors, the principal business of CK HK Subsidiary is investment holding.

(iii) CK PRC Subsidiary A

CK PRC Subsidiary A is a company established in the PRC with limited liability on 25 November 2016. As advised by the Vendors, the principal business of CK PRC Subsidiary A is business management and business management consulting.

(iv) CK PRC Subsidiary B

CK PRC Subsidiary B is a company established in the PRC with limited liability on 30 November 2016. As advised by the Vendors, the principal business of CK PRC Subsidiary B is among other things, rental of office space and commercial buildings and is the sole owner of CK Properties.

Financial review

Set out below is the consolidated financial performance of CK Group for the Relevant Periods as extracted from the accountants report of CK Group as set out in Appendix II to this circular.

	Years ended 31 December			Four months ended 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Revenue	—	—	1,641	2,333
Profit/(loss) before tax	(23)	(462)	1,188,498	(9,030)
Profit/(loss) for the year	(23)	(462)	890,464	(7,738)

Revenue

For the financial years ended 31 December 2017 and 2018, CK Group generated revenue of nil and approximately RMB1,641,000 respectively. In addition, CK Group had also generated revenue of approximately RMB2,333,000 for the 4 months ended 30 April 2019. As set out in the accountants report of CK Group in Appendix II to this circular, such revenue were mainly contributed by the gross rental income received and receivable from investment properties under operating lease arrangements (net of value-added tax) incurred during the Relevant Periods.

Profit/Loss for the year

For the financial years ended 31 December 2017 and 2018, CK Group incurred net loss of approximately RMB462,000 and generated net profit of approximately RMB890,464,000 respectively. In addition, CK Group had also generated net loss of RMB7,738,000 for the 4 months ended 30 April 2019. As set out in the accountants report of CK Group in Appendix II to this circular, such loss incurred in the financial year ended 31 December 2017 were mainly contributed by operating cost incurred, such profits generated in the financial year ended 31 December 2018 can be mainly attributable to the fair value gain of investment properties and such loss incurred for the 4 months ended 30 April 2019 can be attributable to the finance costs incurred.

Assets and liabilities

Set out below is the consolidated financial position of CK Group at the end of each of the Relevant Periods as extracted from the accountants report as set out in Appendix II to this circular:

Consolidated statements of financial position

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	—	1,000	2,094,918	2,117,916
Current assets	347	1,480	48,850	121,241
Total assets	**347**	**2,480**	**2,143,768**	**2,239,157**
Non-current liabilities	—	1,000	1,041,730	1,279,101
Current liabilities	43	1,617	211,749	77,486
Total liabilities	**43**	**2,617**	**1,253,479**	**1,356,587**
Net assets/(liabilities)	**304**	**(137)**	**890,289**	**882,570**

(i) As at 31 December 2017

As stated above, the total assets of CK Group as at 31 December 2017 amounted to approximately RMB2,480,000 is an aggregate value of (i) non-current asset amounted to approximately RMB1,000,000; and (ii) current assets amounted to approximately RMB1,480,000. The increase in total assets of CK Group as at 31 December 2017 as compared to that of 31 December 2016 (i.e. approximately RMB347,000) by approximately RMB2,133,000 was mainly due to the increase of receivable balance from a joint venture from nil to approximately RMB1,000,000 and cash balance from nil to approximately RMB1,157,000. On the other hand, the total liabilities of CK Group were increased by approximately RMB2,574,000 from approximately RMB43,000 as at 31 December 2016 to approximately RMB2,617,000 as at 31 December 2017. As advised by the Vendors, such increase was mainly due to an increase balance in a sole director payable from approximately RMB43,000 to RMB1,017,000, increase in loan from related parties from nil to approximately RMB1,000,000 and other payables and accruals from nil to RMB500,000. As a result of the above, the net liabilities of CK Group as at 31 December 2017 was amounted to approximately RMB137,000.

(ii) As at 31 December 2018

As stated above, the total assets of CK Group as at 31 December 2018 amounted to approximately RMB2,143,768,000 is an aggregate value of (i) non-current asset amounted to approximately RMB2,094,918,000; and (ii) current assets amounted to approximately RMB48,850,000. The increase in total assets of CK Group as at 31 December 2018 as compared to that of 31 December 2017 (i.e. approximately RMB2,480,000) by approximately RMB2,141,288,000 was mainly due to gain on fair value adjustments of investment properties acquired in 2018. On the other hand, the total liabilities of CK Group were increased by approximately RMB1,250,862,000 from approximately RMB2,617,000 as at 31 December 2017 to approximately RMB1,253,479,000 as at 31 December 2018. As advised by the Vendors, such increase was mainly due to an increase in the loans from related parties from approximately RMB1,000,000 to approximately RMB282,550,000, loans from a joint venture partner from nil to approximately RMB496,000,000 and deferred tax liability from nil to approximately RMB298,034,000. As a result of the above, the net assets of CK Group as at 31 December 2018 was amounted to approximately RMB890,289,000.

(iii) As at 30 April 2019

As stated above, the total assets of CK Group as at 30 April 2019 amounted to approximately RMB2,239,157,000 is an aggregate value of (i) non-current asset amounted to approximately RMB2,117,916,000; and (ii) current assets amounted to approximately RMB121,241,000. The increase in total assets of CK Group as at 30 April 2019 as compared to that of 31 December 2018 (i.e. approximately RMB2,143,768,000) by approximately RMB95,389,000 was mainly due to an increase due from a fellow subsidiary from approximately RMB344,000 to approximately RMB1,782,000 and due from related parties from nil to approximately RMB72,200,000. On the other hand, the total liabilities of CK Group were slightly increased from approximately RMB1,253,479,000 as at 31 December 2018 to approximately RMB1,356,587,000 as at 30 April 2019. As a result of the above, the net assets of CK Group as at 30 April 2019 was amounted to approximately RMB882,570,000.

Gearing ratio

As at 31 December 2016 and 31 December 2017, CK Group did not have any interest-bearing debt. As at 31 December 2018 and 30 April 2019, CK Group has interest-bearing debt of an aggregate of RMB728,500,000 and RMB964,550,000, respectively. The gearing ratios, which was calculated by total interest-bearing borrowings divided by total equity, were nil, nil, 81.82% and 109.28% as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019 respectively.

Capital structure

As at 30 April 2019, CK Group had total liabilities of approximately RMB1,356,587,000 which mainly comprised of (i) loans from related parties of approximately RMB368,550,000, (ii) loans from a joint venture partner of approximately of RMB646,000,000 and (iii) deferred tax liability of approximately of RMB296,742,000.

As at 30 April 2019, CK Group's contracted capital commitments were nil. CK Group had interest-bearing loan as at 30 April 2019 and it has not used any derivatives or other instruments for managing its interest rate risk and currency risk, or for hedging purposes during the Relevant Periods. As at 30 April 2019, CK Group had borrowings at fixed interest rates of an aggregate of RMB964,550,000. For details. please refer to note 15 of the accountant's report of CK Group, the text of which is set out in Appendix II to this circular.

CK Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, CK Group may issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

Segment information

No operating or reportable segment information is presented as, other than holding CK Properties, CK Group did not actively engage in any business during period from the years ended 31 December 2017 and 2018 and the four months ended 30 April 2019.

Charge on assets

As at 31 December 2017 and 2018 and 30 April 2019, save as certain units of CK Properties being charged to Limited Partner A as the security of CK PRC Subsidiary A's payment of the Redemption Amount, CK Group had no outstanding charges or encumbrances on its assets.

Contingent liabilities

As at 31 December 2017 and 2018 and 30 April 2019, CK Group had no material contingent liabilities.

Capital commitments

As at the end of each of the Relevant Periods, CK Group had the following capital commitments:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Purchase of investment properties	—	887,007	—	—

Foreign exchange exposure

During the Relevant Periods, CK Group operated in the PRC with most of their transactions denominated and settled in RMB. In this respect, there is no significant currency mismatch in their operational cashflows and CK Group is not exposed to any significant foreign currency exchange risk in its operations. CK Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities during the Relevant Periods.

Employees and remuneration policies

As at 31 December 2016 and 2017 and 30 April 2019, CK Group had no employee, throughout the Relevant Periods. The total staff costs of CK Group for the year ended 31 December 2017 and 2018 and for the four months ended 30 April 2019, was nil. CK Group adopts a remuneration policy with equal emphasis on the market competitiveness of the remuneration and fairness among the employees. For the years ended 31 December 2017 and 2018 and for the four months ended 30 April 2019, the employees of CK Group were mainly members of a state-managed retirement scheme operated by the PRC government.

Material acquisition or disposal of subsidiary or associated company

During the Relevant Periods, save for the investment in Jiaxing Investment, there was neither material acquisition nor disposal of subsidiaries or associated company by CK Group.

Significant investment held

During the Relevant Periods, save for the acquisition of CK Properties and investment in Jiaxing Investment, there was no significant investments by CK Group.

Future plans for material investments and capital assets

As at the Latest Practicable Date, CK Group did not have any future plans for material investments and capital assets.

Future prospect

The CK Group is principally engaged in commercial building leasing business in Mainland China of PRC. The Board considers the Acquisition will allow the Group to strengthen its asset base and further develop its existing property management business.

With reference to the results of CK Group for the year ended 31 December 2018, during the financial year 2018, the Group achieved business growth through its property management services as well as investment in different properties, including (i) the acquisition of Juxon House, being a commercial building in London, United Kingdom, which was completed on 8 January 2018; (ii) the acquisition of Wise Expert Investment and its subsidiaries, which was partially completed on 17 August 2018; and (ii) the acquisition of a real property located in Culver City, Los Angeles, U.S.A., which was completed on 26 March 2019. The Directors believe that the Acquisition can optimise the property portfolio of the Group and broaden its income base through the intended sale of the CK Properties.

In addition, the Board noticed that CK Properties are located next to a commercial property of the Group located in Economic Technological Development Area in Yizhuang (亦莊) at the southeast of Beijing, the PRC, which is surrounded by an area of large construction site under development. The Company intends to sell CK Properties for profit and generate a stable cashflow and income to the Company in the future. The total gross floor area of CK Properties will be approximately 46,124.24 square meters.

The following is the text of a letter and Valuation Report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with its valuation as at 30 June 2019 of CK Properties (as defined in this circular) to be acquired by the Group. Terms defined in this appendix applies to this appendix only.

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30 September 2019

Board of Directors
GR Properties Limited
Suite 1603, 16th Floor
Wheelock House
20 Pedder Street, Central
Hong Kong

Dear Sirs

Valuation of Portion of Building No. 2 of Kingdom Guorui, No. 1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, The People's Republic of China (the "Property")

In accordance with your instructions for us to value the Property in the People's Republic of China (the "**PRC**") held by GR Properties Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 30 June 2019 (the "**Valuation Date**").

Basis of Valuation

Our valuation is our opinion of the market value of the Property 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 wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser. 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 associate taxes or potential taxes.

Valuation Methodology

We have valued the Property by adopting Income Approach — Term and Reversion Method and cross checked by Market Approach.

Income Approach — Term and Reversion Method

Income Approach — Term and Reversion Method is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

Market Approach

Market Approach is considered as the most appropriate method of valuation when comparable information is adequate. In using this method, the valuer must compare the property under consideration with similar properties sold previously arriving at a value by adjusting the property value to reflect items such as location, date of transaction, maintenance, accessibility and a whole host of other considerations.

We have applied income approach in valuing the Property because there is no similar high-quality office for sale in the vicinity comparative to that of the Property, and apart from the leased portion, the remaining vacant units of the Property were intended to be leased for generating income in near future as well. The application of income approach further matched with the purpose and the use of the Property.

Title Documents and Encumbrances

We have been provided with copies of extracts of title documents relating to the Property. However, we have not inspected the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied on the information provided by the Group and its PRC legal advisor, Junhe Law Firm, regarding the title of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Source of Information

We have accepted advice given by the Group and/or its PRC legal advisor on such matters as identification of the Property, statutory notices, tenure, ownership, building age, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the Property and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

Inspection and Structural Condition

We have inspected the Property by Sunny Lee in June 2019. Sunny Lee is a valuer with 3 years of experience in property valuation and consultancy in the PRC. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Identity of Property to be Valued

We exercised reasonable care and skill (but will not have an absolute obligation to the Group) to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property had been constructed, occupied and used in full compliance with, and without contravention of any ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

Remarks

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the Property.

In preparing our valuation report, we have complied with the requirements contained within relevant provisions of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2017 Edition published by the Hong Kong Institute of Surveyors.

Currencies

Unless otherwise stated, all sums stated in our valuation are in Renminbi.

Our valuation report is attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Clement W M Leung
MFin MCIREA MHKIS MRICS RPS (GP)
RICS Registered Valuer
Executive Director, Head of China Valuation & Advisory

Note: Clement Leung is a qualified valuer who has 26 years of experience in property valuation and consultancy services in the PRC and Hong Kong.

VALUATION REPORT

Property held by the Group for investment

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2019
Portion of Building No. 2 of Kingdom Guorui, No. 1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, The PRC	Kingdom Guorui (the "**Development**") is a composite residential/commercial development, comprising residential, hotel, serviced apartments and office. The Property comprises Level 1 and Level 13 to 35 of Office Tower B of the Development, which is a 35-storey office building erected on a 3-storey basement. As advised by the Group, the Property was completed in 2018. The Property comprises a total gross floor area of approximately 46,164.24 sq m. The land use rights of the Property have been granted for a term expiring on 21 June 2049 for commercial use and 21 June 2059 for composite use. There is no information on the planning or zoning for the Property.	The Property with a total leased area of approximately 4,726.95 sq m is subject to various tenancies with the last expiry date in August 2024 yielding a total monthly rental of about RMB710,000, exclusive of taxes and management fee. The remaining portion of the Property is vacant.	RMB2,120,000,000 (RENMINBI TWO BILLION ONE HUNDRED AND TWENTY MILLION)

Notes:

1. Pursuant to 129 Realty Title Certificates issued in 2018 and 2019, the building ownership to the Property with a total gross floor area 46,124.24 sq m was vested in Beijing Kaipeng Technology Development Co. Ltd. (hereinafter referred to as "**CK PRC Subsidiary B**", an indirectly owned subsidiary of Capital Kingdom Limited) for commercial and office uses.

2. According to the legal opinion provided by the Group's legal adviser, Junhe Law Firm, the followings, inter alia, were stated:

   (i) CK PRC Subsidiary B has legally obtained the Realty Title Certificates of the building and land of the Property;

   (ii) Amongst the 129 Realty Tittle Certificates as stated in note1, 104 properties of approximately 40,100 sq m are subject to mortgages;

   (iii) Save as the above, the Property is not subject to other mortgage registration, seizure registration or other registered cases that have a material adverse effect on the ownership of the Property; and

   (iv) CK PRC Subsidiary B has the rights to legally occupy, use, sell the Property and proceed the relevant registration and filing procedures in accordance with the relevant laws, regulations and the requirements of relevant government regulations on real estate management or contractual agreements.

The following is the text of a letter and Valuation Report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with its valuation as at 30 June 2019 of WE Properties (as defined in this circular) to be disposed by the Group. Terms defined in this appendix applies to this appendix only.

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30 September 2019

Board of Directors
GR Properties Limited
Suite 1603, 16th Floor
Wheelock House
20 Pedder Street, Central
Hong Kong

Dear Sirs

Valuation of Building No. 3 of Kingdom Guorui, No. 1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, The People's Republic of China (the "Property")

In accordance with your instructions for us to value the Property in the People's Republic of China (the "**PRC**") held by GR Properties Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 30 June 2019 (the "**Valuation Date**").

Basis of Valuation

Our valuation is our opinion of the market value of the Property 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 wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market value is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser. 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 associate taxes or potential taxes.

Valuation Methodology

Majority portion of the Property currently owner-occupied by the Company has been valued by Market Approach while the remaining minority portion of the Property leased to third party has been valued by Income Approach.

Income Approach — Term and Reversion Method

Income Approach — Term and Reversion Method is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

Market Approach

Market Approach is considered as the most appropriate method of valuation when comparable information is adequate. In using this method, the valuer must compare the property under consideration with similar properties sold previously arriving at a value by adjusting the property value to reflect items such as location, date of transaction, maintenance, accessibility and a whole host of other considerations.

Title Documents and Encumbrances

We have been provided with copies of extracts of title documents relating to the Property. However, we have not inspected the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied on the information provided by the Group and its PRC legal advisor, Junhe Law Firm, regarding the title of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Source of Information

We have accepted advice given by the Group and/or its PRC legal advisor on such matters as identification of the Property, statutory notices, tenure, ownership, building age, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the Property and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

Inspection and Structural Condition

We have inspected the Property by Sunny Lee in June 2019. Sunny Lee is a valuer with 3 years of experience in property valuation and consultancy in the PRC. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

Identity of Property to be Valued

We exercised reasonable care and skill (but will not have an absolute obligation to the Group) to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the Property address, or the extent of the Property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property had been constructed, occupied and used in full compliance with, and without contravention of any ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that for any use of the Property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorization have been obtained, except only where otherwise stated.

Remarks

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the Property.

In preparing our valuation report, we have complied with the requirements contained within relevant provisions of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2017 Edition published by the Hong Kong Institute of Surveyors.

Currencies

Unless otherwise stated, all sums stated in our valuation are in Renminbi.

Our valuation report is attached.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Clement W M Leung
MFin MCIREA MHKIS MRICS RPS (GP)
RICS Registered Valuer
Executive Director, Head of China Valuation & Advisory

Note: Clement Leung is a qualified valuer who has 26 years of experience in property valuation and consultancy services in the PRC and Hong Kong.

VALUATION REPORT

Property held by the Group for owner occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2019
Building No. 3 of Kingdom Guorui, No. 1 Ronghua South Road, Beijing Economic Technological Development Area, Beijing, The PRC	Kingdom Guorui (the "**Development**") is a composite residential/commercial development, comprising residential, hotel, serviced apartments and office. The Property comprises Building no. 3 of the Development, which is a single-storey commercial building erected on a 2-storey basement. As advised by the Group, the Property was completed in 2013. The Property comprises a total gross floor area of approximately 28,056.88 sq m. The land use rights of the Property have been granted for a term expiring on 21 June 2049 for commercial use. There is no information on the planning or zoning for the Property.	The Property is currently occupied as a clubhouse with restaurants, conference rooms, gymnasium, and other facilities. The Property is subject to 4 tenancy agreements. The Property is leased to Beijing Guorui Hotel Management Co., Ltd., Beijing Guorui Property Development Company Limited, Beijing Ronghua Tiandi International Travel Agency Company Limited, and Beijing Ruilai Recreational Fitness Company Limited, which are all wholly-owned subsidiaries of the Company. Only two units on the Level B1 are sub-leased to external parties for commercial use, yielding a total monthly rental of RMB67,642, exclusive of tax and management fee.	RMB682,000,000 (RENMINBI SIX HUNDRED AND EIGHTY TWO MILLION)

Notes:

1. Pursuant to 16 Realty Title Certificates issued in 2017, the building ownership to the Property with a total gross floor area 28,056.88 sq m was vested in Beijing Shengyu Technology Development Co. Ltd. (hereinafter referred to as "**WE PRC Subsidiary B**", a 100% owned subsidiary of the Company") for commercial uses.

2. According to the legal opinion provided by the Group's legal adviser, Junhe Law Firm, the followings, inter alia, were stated:

   (i) WE PRC Subsidiary B has legally obtained the Realty Title Certificates of the building and land of the Property;

   (ii) The Property is not subject to mortgage registration, seizure registration or other registered cases that have a material adverse effect on the ownership of the Property; and

   (iii) WE PRC Subsidiary B has the rights to legally occupy, use, sell the Property and proceed the relevant registration and filing procedures in accordance with the relevant laws, regulations and the requirements of relevant government regulations on real estate management or contractual agreements.

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

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code to be notified to the Company and Stock Exchange, were as follows:

(a) Interest in Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of issued share capital
Mr. Sun	Beneficial owner	136,752,350 (L)	109,086,735 (L) *(Note 3)*	245,839,085	7.68%
	Interest of controlled corporation		8,669,925 (L) *(Note 3)*	8,669,925	0.27%
Mr. Wei	Interest of controlled corporation	2,246,160,464 (L) *(Notes 1 and 2)*	1,342,317,340 (L) *(Note 3)*	3,588,477,804	112.16%
Ms. Liu Shuhua	Beneficial owner		5,020,500 (L)	5,020,500	0.16%

(L) denotes long position

Notes:

1. 1,434,421,537 Shares are held by Wintime Company Limited. Wintime Company Limited is a wholly-owned subsidiary of Winluck Global Limited. The entire issued share capital of Winluck Global Limited is beneficially owned by Mr. Wei. Each of Winluck Global Limited and Mr. Wei is deemed to be interested in the shares held by Wintime Company Limited under the SFO.

2. 811,738,927 Shares are held by Gang Rui International Investment (HK) Limited. Gang Rui International Investment (HK) Limited is owned as to 90% and 10% by Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) and Future Glow Ventures Inc. respectively. Future Glow Ventures Inc. is wholly-owned by an independent third party. Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司) is wholly-owned by Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司) which in turn is indirectly owned by Mr. Wei and Mr. Sun as to approximately 91% and 9%, respectively. Each of Beijing Guo Rui Real Estate Development Co. Limited* (北京國銳房地產開發有限公司), Beijing Guorui Holdings Co. Limited* (北京國銳控股有限公司) and Mr. Wei is deemed to be interested in the Shares held by Gang Rui International Investment (HK) Limited under the SFO.

3. Pursuant to an agreement entered into between the Company and the Vendors dated 30 May 2018, the consideration for the purchase and sale of the entire issued share capital of Wise Expert Investment Limited shall be HK$1,541,320,000, which shall be settled (a) as to HK$361,260,800 by the allotment and issuance of 410,934,160 new Shares to Winluck Global Limited (or to its designated nominee(s)) and 40,641,840 new Shares to Silky Apex Limited (or to its designated nominee(s)), by the Company pursuant to the payment schedule under the agreement; and (b) as to the balance of HK$1,180,059,200, by the issuance of the convertible bonds at an initial conversion price of HK$0.80 per conversion share in the aggregate principal amount of HK$1,073,853,872 (i.e. equivalent to 1,342,317,340 conversion shares) to Winluck Global Limited (or to its designated nominee(s)) and HK$106,205,328 (i.e. equivalent to 132,756,660 conversion shares) to Silky Apex Limited (or to its designated nominee(s)), by the Company pursuant to the payment schedule under the agreement.

(b) Interests in associated corporations

Name of the member of the Group	Name of shareholder	Approximate percentage of equity interest
Ruilai Recreational Fitness Company Limited* (北京銳萊康體健身有限公司)	Xinrong (Beijing) Investment Fund Management Company Limited* (鑫隆(北京)投資基金管理有限公司) *(Note)*	20%

Note: Xinrong (Beijing) Investment Fund Management Company Limited* (鑫隆(北京)投資基金管理有限公司) is a company established in the PRC and indirectly wholly-owned as to 91% by a close associate of Mr. Wei and as to 9% by Mr. Sun. Accordingly, Mr. Wei is therefore deemed to be interested in the 20% equity interest in Ruilai Recreational Fitness Company Limited.

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 or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the 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) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To the best of the Directors' knowledge, as at the Latest Practicable Date, the following persons (not being the Director or chief executive of the Company) had, or were deemed to have, interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the issued voting shares of any other member of the Enlarged Group, or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Nature of interests	Number of Shares held or interested in		Approximate percentage of the issued share capital of the Company
Wintime Company Limited *(Note 1)*	Beneficial owner	2,689,076,302	(L)	84.05%
Winluck Global Limited *(Note 2)*	Beneficial interest held by controlled corporation	2,689,076,302	(L)	84.05%
Gang Rui International Investment (HK) Limited *(Note 3)*	Beneficial owner	811,738,927	(L)	25.37%
Beijing Guorui Real Estate Development Co., Ltd *(Note 4)*	Beneficial interest held by controlled corporation	811,738,927	(L)	25.37%

Name	Nature of interests	Number of Shares held or interested in		Approximate percentage of the issued share capital of the Company
Beijing Guorui Holdings Co., Ltd *(Note 5)*	Beneficial interest held by controlled corporation	811,738,927	(L)	25.37%

(L) denotes long position

Notes:

1. As at the Latest Practicable Date, Wintime Company Limited holds 2,689,076,302 shares directly.

2. Winluck Global Limited is deemed to be interested in the 2,689,076,302 shares by virtue of its controlling interests in its wholly-owned subsidiary, Wintime Company Limited.

   Pursuant to an agreement entered into between the Company and the Vendors dated 30 May 2018, the consideration for the purchase and sale of the entire issued share capital of Wise Expert Investment Limited shall be HK$1,541,320,000, which shall be settled (a) as to HK$361,260,800 by the allotment and issuance of 410,934,160 new Shares to Winluck Global Limited (or to its designated nominee(s)) and 40,641,840 new Shares to Silky Apex Limited (or to its designated nominee(s)), by the Company pursuant to the payment schedule under the agreement; and (b) as to the balance of HK$1,180,059,200, by the issuance of the convertible bonds at an initial conversion price of HK$0.80 per conversion share in the aggregate principal amount of HK$1,073,853,872 (i.e. equivalent to 1,342,317,340 conversion shares) to Winluck Global Limited (or to its designated nominee(s)) and HK$106,205,328 (i.e. equivalent to 132,756,660 conversion shares) to Silky Apex Limited (or to its designated nominee(s)), by the Company pursuant to the payment schedule under the agreement.

   As at the Latest Practicable Date, Mr. Wei is deemed to be interested in the 1,434,421,537 Shares and is interested in the 1,254,654,765 conversion shares by virtue of his entire indirect equity interests in Wintime Company Limited. Mr. Wei is also deemed to be interested in the 87,662,575 conversion shares by virtue of his entire equity interests in Winluck Global Limited.

3. As at the Latest Practicable Date, Gang Rui International Investment (HK) Limited is owned as to 90% and 10% by Beijing Guo Rui Real Estate Development Company Limited* (北京國銳房地產開發有限公司) and Future Glow Ventures Inc. respectively. Future Glow Ventures Inc. is wholly-owned by an independent third party.

4. As at the Latest Practicable Date, Beijing Guorui Real Estate Development Company Limited* (北京國銳房地產開發有限公司) is a wholly-owned subsidiary of Beijing Guorui Holdings Company Limited* (北京國銳控股有限公司).

5. As at the Latest Practicable Date, Beijing Guorui Holdings Company Limited* (北京國銳控股有限公司) is indirectly owned as to 91% by Mr. Wei and 9% by Mr. Sun Zhongmin, respectively.

As at the Latest Practicable Date, Mr. Wei is deemed under the SFO to be interested in 811,738,927 Shares held by Gang Rui International Investment (HK) Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors and chief executive of the Company are aware, none of the Directors held any directorship or had any employment in a company which has an interest and/or short position in the Shares or 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 or is directly or indirectly interested in 5% or more of the issued voting shares of circumstances at general meetings of any other member of the Enlarged Group, or which were recorded in the register required to be kept under section 336 of the SFO.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates had any interest in any businesses, other than being a director of one or more members the Group or their respective close associates, which competes or are likely to compete, either directly or indirectly, with the businesses of the Group.

5. SERVICE CONTRACT

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

6. INTERESTS IN CONTRACTS OR ARRANGEMENT

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

7. INTEREST IN ASSETS

As at the Latest Practicable Date, save as disclosed, none of the Directors had any direct or indirect interest in any asset which had, since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up), been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance, and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Knight Frank Petty Limited	Independent property valuer
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Each of the letter, advice, report, valuation certificate and/or opinion, as the case may be, of the above experts is given as of the Latest Practicable Date for incorporation herein.

As at the Latest Practicable Date, none of the above experts, have (i) any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, and (ii) any direct or indirect interest in any assets which have since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been 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 Enlarged Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), advice, report(s), valuation certificate(s) and/or opinion(s), as the case may be, and the references to their names included herein in the form and context in which they respectively appear.

10. MATERIAL CONTRACTS

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

(a) the sale and purchase agreement dated 15 November 2017 among the Company as guarantor, Talented Chief Limited as buyer, and Standard Life Assurance Limited as seller, pursuant to which Talented Chief Limited conditionally agreed to purchase, and Standard Life Assurance Limited conditionally agreed to sell, all that leasehold property known as Juxon House, 100 St Pauls Churchyard, London EC4M 8BU registered at the Land Registry of UK under title number NGL799862 for a term of 234 years, 3 months and 7 days commenced from 16 March 2001 and ending on 23 June 2235 for a purchase price of £134,500,000 (equivalent to approximately HK$1,345,000,000);

(b) the subscription agreements dated 26 January 2018 between the Company and certain Independent Third Parties in relation to the subscription by such Independent Third Parties of the total of 179,484,147 new Shares allotted and issued by the Company under general mandate at the subscription price of HK$1.00 per subscription share;

(c) an underwriting agreement dated 24 May 2018 between the Company and Gang Rui International Investment (HK) Limited ("**Gang Rui**") (as the underwriter) in relation to the issue by the Company of the 910,932,662 Shares ("**Offer Shares**") by way of open offer to qualifying Shareholders on the basis of an assured allotment of one (1) Offer Share for every two (2) existing Shares, pursuant to which Gang Rui has conditionally agreed to fully underwrite all the Offer Shares for all underwriting commission; and

(d) a conditional sale and purchase agreement dated 30 May 2018 entered into between the Company and the Vendors in relation to the acquisition of the entire issued share capital of Wise Expert Investment Limited at the aggregate consideration in the sum of HK$1,541,320,000;

(e) a partnership interest purchase agreement dated 14 September 2018 (as supplemented and amended by the two amendments dated 9 November 2018 and 1 February 2019) entered into among GR Properties USA Inc., an indirect wholly-owned subsidiary of the Company (as the purchaser), Washington Culver, LP, Washington Motor GP LLC (together as the sellers) and Washington Motor GP LLC in relation to, among other things, the acquisition of Washington Motor LP by GR Properties USA Inc.; and

(f) the Agreement.

11. GENERAL

(a) The secretary of the Company is Ms. Ng Ka Sim, Casina, who is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia.

(b) The registered office of the Company is situated at Suite 1603, 16/F, Wheelock House, 20 Pedder Street, Central, Hong Kong.

(c) The Company's share registrar and transfer office in Hong Kong is Tricor Standard Limited, Level 54, Hopewell Centre 183 Queen's Road East Hong Kong.

(d) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 10:00a.m. to 4:00p.m. on Monday to Friday, except Saturdays, Sundays and public holidays of Hong Kong) at the principal place of business of the Company in Hong Kong at Suite 1603, 16/F, Wheelock House, 20 Pedder Street, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out on pages 39 to 40 this circular;

(c) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 41 to 69 of this circular;

(d) the annual reports of the Company for the two years ended 31 December 2018;

(e) the accountant's report of CK Group, the text of which is set out in Appendix II to this circular;

(f) the report from Ernst & Young on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(g) the property valuation reports in respect of CK Properties and WE Properties prepared by Knight Frank Petty Limited, the text of which is set out in Appendices V and VI to this circular;

(h) the written consents referred to in paragraph headed "9. Experts and Consents" of this appendix;

(i) the material contracts referred to in the paragraph headed "10. Material Contracts" of this appendix;

(j) this circular; and

(k) the articles of association of the Company.

GR PROPERTIES LIMITED
國銳地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 108)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of shareholders of GR Properties Limited (the "**Company**") will be held at Unit 1103-1106, China Building, 29 Queen's Road Central, Hong Kong on Monday, 21 October 2019 at 10:30 a.m., as special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

"**THAT**:

(a) subject to the fulfillment of the terms and conditions set out in the conditional sale and purchase agreement dated 16 July 2019 (the "**Agreement**", a copy of which has been produced to the Meeting and signed by the chairman of the Meeting (the "**Chairman**") for identification purpose) entered into among the Company and Winluck Global Limited ("**Vendor A**") and Silky Apex Limited ("**Vendor B**", together with Vendor A, the "**Vendors**"), in relation to the proposed acquisition (the "**Acquisition**") of all issued shares of Capable Kingdom Limited by the Company from the Vendors and the proposed disposal of all issued shares Wholly Express Limited by the Company to the Vendors be and are hereby approved, confirmed and ratified;

(b) any one director of the Company, or any two directors of the Company if affixation of the Company's common seal is necessary, be and is/are hereby authorised to do all such acts and things, to sign and execute all such documents, instruments or agreements (and to affix the common seal of the Company thereon, if necessary) for and on behalf of the Company as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisition, the Disposal the Agreement and the transactions contemplated thereunder."

Yours faithfully,
By order of the Board
GR Properties Limited
Wei Chunxian
Chairman

Hong Kong, 30 September 2019

Registered Office:
Suite 1603, 16/F
Wheelock House
20 Pedder Street
Central, Hong Kong

Notes:

(1) The resolutions put to vote at the Meeting will be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

(2) Any member of the Company entitled to attend and vote at the Meeting (or any adjournment thereof) is entitled to appoint one or more proxies to attend and, subject to the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.

(3) In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding this Meeting or adjourned meeting (as the case may be). Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.

(4) In the case of joint holders of share(s) of the Company, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.

(5) For determining the entitlement to attend and vote at the above Meeting, the register of members of the Company will be closed from Wednesday, 16 October 2019 to Monday, 21 October 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15 October 2019.

(6) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time between 9:00 a.m. and 3:00 noon on the date of the Meeting, the Meeting will be automatically postponed or adjourned. The Company will post an announcement on the Company's website (www.grproperties.com.hk) and the Stock Exchange's website (www.hkexnews.hk) to notify shareholders of the date, time and place of the rescheduled meeting. The Meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the Meeting under bad weather condition bearing in mind their own situations.

(7) All references to times and dates in this notice are to Hong Kong times and dates.

As at the date of this notice, the executive directors of the Company are Mr. Wei Chunxian, Mr. Sun Zhongmin Ms. Liu Shuhua, Mr. Guo Jingsheng, Ms. Huang Fei and Ms. Li Bing; and the independent non-executive directors of the Company are Mr. Tung Woon Cheung Eric, Ms. To Tsz Wan Vivien and Mr. Au Yeung Po Fung.