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 what action to take, 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 Chen Xing Development Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

CHEN XING

Chen Xing Development Holdings Limited

辰 興 發 展 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2286)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN TARGET COMPANY IN THE PRC AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed ‘‘Definitions’’ in this circular.

A letter from the Board is set out on pages 4 to 14 of this circular. A notice convening the EGM to be held at Conference Room, 6th Floor, Chen Xing Tower, 131 West Yingbin Street, Yuci District, Jinzhong City, Shanxi Province, the People's Republic of China on Wednesday, 23 October 2019 at 10:00 a.m. with the form of proxy are enclosed herein. In order to be eligible to attend and vote at the EGM, all transfer documents accompanies by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 10:00 a.m. on Friday, 18 October 2019. The register of members of the Company will be closed from Friday, 18 October 2019 to Wednesday, 23 October 2019, both days inclusive, for determination of entitlements to attend and vote at the EGM and during which period no transfer of Shares will be registered. A form of proxy for use by the shareholders of the Company at the EGM is enclosed herein. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

30 September 2019

CONTENTS

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

"49% Acquisition"	the proposed acquisition of 49% equity interest in the Target and the 49% Vendor's Loan by the Purchaser from the 49% Vendor pursuant to the terms of the 49% Equity Transfer Agreement
"49% Consideration"	the aggregate consideration for the 49% Acquisition in the sum of approximately RMB256.85 million (equivalent to approximately HK$300.26 million) to be paid by the Purchaser to the 49% Vendor
"49% Equity Transfer Agreement"	an equity transfer agreement entered into on 12 December 2018 (as supplemented by the 49% Equity Transfer Supplemental Agreement entered into on 12 December 2018) between the Purchaser and the 49% Vendor in relation to the sale and purchase of 49% equity interest in the Target and the 49% Vendor's Loan
"49% Equity Transfer Supplemental Agreement"	an equity transfer supplemental agreement entered into on 12 December 2018 between the Purchaser and the 49% Vendor
"49% Vendor"	Xishuangbanna Haoyuan Tourism Development Co., Ltd.* (西雙版納昊緣旅遊發展有限公司) a company established under the laws of the PRC with limited liability
"49% Vendor's Loan"	a loan owing to the 49% Vendor by the Target with a principal amount of RMB3 million (equivalent to approximately HK$3.51 million) and aggregate interest in the sum of approximately RMB1.95 million (equivalent to approximately HK$2.28 million)
"51% Acquisition"	the proposed acquisition of 51% equity interest in the Target and the 51% Vendor's Loan by the Purchaser from the 51% Vendor pursuant to the terms of the 51% Equity Transfer Agreement
"51% Consideration"	the aggregate consideration for the 51% Acquisition in the sum of approximately RMB418.56 million (equivalent to approximately HK$489.30 million) to be paid by the Purchaser to the 51% Vendor
"51% Equity Transfer Agreement"	an equity transfer agreement entered into on 4 January 2019 between the Purchaser and the 51% Vendor in relation to the sale and purchase of 51% equity interest in the Target and the 51% Vendor's Loan
"51% Vendor"	Beijing Sunshine Real Estate Comprehensive Development Co., Ltd. (北京陽光房地產綜合開發有限公司), a state-owned enterprise established under the laws of the PRC with limited liability

"51% Vendor's Loan"	loans owing to the 51% Vendor by the Target with (i) aggregate principal amount of RMB161.58 million (equivalent to approximately HK$188.89 million), which comprise further loan in the sum of approximately RMB10.74 million (equivalent to approximately HK$12.56 million) made after 1 April 2018; (ii) aggregate interest in the sum of approximately RMB14.26 million (equivalent to approximately HK$16.67 million)
"100% Acquisition"	the 49% Acquisition and the 51% Acquisition
"100% Consideration"	the aggregate of the 49% Consideration and the 51% Consideration, being approximately RMB675.41 million (equivalent to approximately HK$789.55 million)
"100% Vendors' Loans"	the aggregate of the principal amounts and accumulated interests on the 49% Vendor's Loan and the 51% Vendor's Loan, being approximately RMB180.79 million (equivalent to approximately HK$211.34 million)
"Board"	the board of Directors
"Company"	Chen Xing Development Holdings Limited (辰興發展控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on Main Board of the Stock Exchange
"Completion"	the completion of the 100% Acquisition in accordance with the terms and conditions of the Agreement
"connected person(s)"	shall have the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group and the Target upon Completion
"EGM"	an extraordinary general meeting of the Company to be convened for the purposes of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the 100% Equity Transfer Agreements and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Land"	three parcels of land located at Phase 2 of Xishuangbanna Travel Resort, Yunnan Province, the PRC with a total site area of approximately 223,837.30 sq.m.
"Latest Practicable Date"	26 September 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China (excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the People's Republic of China, the Macao Special Administrative Region of the People's Republic of China and Taiwan)
"PRC GAAP"	the Generally Accepted Accounting Principles in the PRC
"PRC Legal Advisors"	Shanxi Dingzheng Law Office* (山西鼎正律師事務所), our legal advisors as to PRC laws
"Purchaser"	Chenxing Real Estate Development Co., Ltd.* (辰興房地產發展有限公司), a company established in the PRC with limited liability, being an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning attributed to it under the Listing Rules
"Target"	Xishuangbanna Jingyuan Investment Development Co., Ltd.* (西雙版納景緣投資開發有限公司), a company established under the laws of the PRC with limited liability
"%"	per cent.
"sq.m."	Square metre(s)

* *For identification purpose only*

In this circular unless the context otherwise requires, the terms "associate(s)", "connected person(s)", "percentage ratio(s)" and "subsidiary(ies)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For illustrative purpose of this circular only, conversion of RMB to HK$ is made at the following exchange rate at RMB1.00 = HK$1.169

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

Chen Xing Development Holdings Limited
辰興發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2286)

Executive Directors:
Mr. Bai Xuankui *(Chairman)*
Mr. Bai Wukui
Mr. Bai Guohua
Mr. Dong Shiguang

Independent Non-executive Directors:
Mr. Gu Jiong
Mr. Tian Hua
Mr. Qiu Yongqing

Registered office:
Cricket Square, Hutchins Drive,
PO Box 2681 Grand Cayman,
KY1-1111, Cayman Islands

Principal place of business in Hong Kong:
40th Floor, Sunlight Tower,
248 Queen's Road East
Wanchai, Hong Kong

30 September 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN TARGET COMPANY IN THE PRC

INTRODUCTION

Reference is made to the announcements of the Company dated 12 December 2018 and 4 January 2019 in relation to, among other things, the entering into the (i) 49% Equity Transfer Agreement; and (ii) 51% Equity Transfer Agreement.

The main purpose of this circular is to provide you with, among other things, (i) details of the 100% Acquisition; (ii) financial information of the Group; (iii) financial information of the Target; and (iv) valuation report on the Land.

100% EQUITY TRANSFER AGREEMENTS

49% Equity Transfer Agreement

Date	:	12 December 2018
Parties	:	(i) the Purchaser, an indirectly wholly-owned subsidiary of the Company; and (ii) the 49% Vendor, a company established under the laws of the PRC with limited liability and its ultimate beneficial owner is Mr. Zhang Ping (張平).

51% Equity Transfer Agreement

Date	:	4 January 2019
Parties	:	(i) the Purchaser, an indirect wholly-owned subsidiary of the Company; and (ii) the 51% Vendor, a state-owned enterprise established under the laws of the PRC with limited liability

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, each of (i) the 49% Vendor and the 51% Vendor and their ultimate beneficial owners are third parties independent of the Company and its connected persons; and (ii) the 49% Vendor and its ultimate beneficial owner, Mr. Zhang Ping (張平) have no other business relationship with the Company and its connected persons.

Assets acquired

The Target is a company established under the laws of the PRC with limited liability on 9 September 2013. The principal assets of the Target are three land parcels located at Phase 2 of Xishuangbanna Travel Resort, Yunnan Province, the PRC with a total site area of approximately 223,837.30 sq. m.. The Land is planned to be developed into 3 phases. Upon completion, the Land is a composite development with a total approximate planned gross floor area of 335,256 sq. m.. The Target is currently engaged in the construction and development of the parcel of land which is designated for residential and commercial purpose.

As at the date of the 100% Equity Transfer Agreements, the Target is owned as to 49% by the 49% Vendor and 51% by the 51% Vendor.

Pursuant to the terms of the 49% Equity Transfer Agreement, the Purchaser has acquired 49% equity interest in the Target and the 49% Vendor's Loan from the 49% Vendor.

Pursuant to the terms of the 51% Equity Transfer Agreement, the Purchaser has acquired 51% equity interest in the Target and the 51% Vendor's Loan from the 51% Vendor.

The 49% Consideration

The 49% Consideration amounts to approximately RMB256.85 million (equivalent to approximately HK$300.26 million), comprises the consideration for settlement of (i) approximately RMB251.9 million (equivalent to approximately HK$294.48 million) for the 49% equity interest in the Target; and (ii) approximately RMB4.95 million (equivalent to approximately HK$5.79 million) for the 49% Vendor's Loan inclusive of accumulated interests. The 49% Consideration shall be paid by the Purchaser to the 49% Vendor in the following manner:

(i) RMB30 million (equivalent to approximately HK$35.07 million), being the deposit shall be paid within 5 business days after the date of the 49% Equity Transfer Agreement. The Purchaser has settled the entire amount of this part of the consideration to the 49% Vendor;

(ii) RMB80 million (equivalent to approximately HK$93.52 million), within 5 business days after (a) the date when the 51% Vendor decides not to exercise its pre-emption right to acquire the 49% equity interests held by the 49% Vendor; or (b) the deadline as stipulated in the announcement regarding the listing of equity interests of the Target for sale by the 51% Vendor. The Purchaser has settled the entire amount of this part of the consideration to the 49% Vendor; The 49% Vendor has transferred the 49% equity interests in the Target to the Purchaser and the relevant PRC filings were completed on 29 January 2019.

(iii) The remaining balance of RMB111.90 million (equivalent to approximately HK$130.81 million), within 5 business days after completion of the registration with relevant government authority for the transfer of 49% equity interests in the Target to the Purchaser. The Purchaser has settled approximately RMB90 million of this part of the consideration to the 49% Vendor. The remaining amount of approximately RMB21.90 million is in dispute between the 49% Vendor and the Purchaser. For details, please refer to the section headed "Litigation between the Purchaser and the 49% Vendor" in this circular;

(iv) The 51% Vendor originally purchase the 51% equity interest in the Target from the 49% Vendor in April 2014. Pursuant to the 49% Equity Transfer Supplemental Agreement, as the 51% Vendor has not paid the remaining balance of RMB49 million from its acquisition of 51% equity interest of the Target in April 2014, and if the 51% Vendor does not compensate the 49% Vendor for the interest in relation to the RMB49 million, subject to the Purchaser completing the 49% Acquisition and the acquisition of 51% equity interest in the Target from the 51% Vendor, the Purchaser shall pay further consideration of RMB30 million (equivalent to approximately HK$35.07 million) within seven business days after the completion of the registration of transfer of such equity interests. The entire amount of RMB30 million is in dispute between the 49% Vendor and the Purchaser. For details, please refer to the section headed "Litigation between the Purchaser and the 49% Vendor" in this circular; and

(v) After the date of the 49% Equity Transfer Agreement, the Purchaser shall pay additional consideration of RMB3 million (equivalent to approximately HK$3.51 million) for the 49% Vendor's Loan plus aggregate interest in the sum of approximately RMB1.95 million (equivalent to approximately HK$2.28 million).

The 51% Consideration

The 51% Consideration amounts to approximately RMB418.56 million (equivalent to approximately HK$489.30 million), comprises the consideration for settlement of (i) approximately RMB242.72 million (equivalent to approximately HK$283.74 million) for the 51% equity interest in the Target; and (ii) approximately RMB175.84 million (equivalent to approximately HK$205.56 million) for the 51% Vendor's Loan inclusive of accumulated interests. The 51% Consideration has been paid by the Purchaser to the 51% Vendor in the following manner:

(i) RMB100 million (equivalent to approximately HK$116.9 million), being the refundable deposit for participating in the bidding process, has been paid to the Beijing Equity Exchange on 3 January 2019 and has been applied towards part payment of the 51% Consideration;

(ii) RMB293.56 million (equivalent to approximately HK$343.17 million), within five business days to an account designated by the China Beijing Equity Exchange has been applied towards part payment of the 51% Consideration;

(iii) After the date of 51% Equity Transfer Agreement, the Purchaser has paid consideration in the sum of approximately RMB10.74 million (equivalent to approximately HK$12.56 million) as consideration for part of the 51% Vendor's Loan made after 1 April 2018; (ii) aggregate interest on the 51% Vendor's Loans in the sum of approximately RMB14.26 million (equivalent to approximately HK$16.67 million). The Purchaser has settled the entire amount under this part of the consideration to the 51% Vendor.

The 51% Vendor has transferred the 51% equity interests in the Target to the Purchaser and the relevant PRC filings were completed on 29 January 2019.

Basis and Settlement of the 100% Consideration

The 49% Consideration which comprise consideration for 49% equity interests in the Target and 49% Vendor's Loan, was determined with reference to the market value, future development and potential of the Land and the prevailing market price of land in Yunnan Province. The 51% Consideration which comprise consideration for 51% equity interests in the Target and 51% Vendor's Loan was arrived at after the open bidding process at the public auction conducted online by Beijing Equity Exchange on 4 December 2018 at the lowest bidding price.

Since the consideration to settle the 51% equity interest and the 49% equity interest in the Target was approximately RMB242.72 million (equivalent to approximately HK$283.74 million) and approximately RMB251.9 million (equivalent to approximately HK$294.48 million) respectively, the consideration payable for the 51% equity interest is slightly lower than the consideration payable for the 49% equity interest when compared on a pro-rata basis.

The aggregate consideration to settle the 51% Vendor's Loan (inclusive of interest) was RMB175.84 million (equivalent to HK$205.56 million), while the aggregate consideration to settle the 49% Vendor's Loan (inclusive of interest) was RMB4.95 million (equivalent to HK$5.79 million), the Directors are of the opinion that a premium of the 51% Consideration over the 49% Consideration on a pro-rata basis is fair and reasonable.

The aggregate consideration for the 100% Acquisition is in the sum of approximately RMB675.41 million (equivalent to approximately HK$789.55 million). The payment of the 100% Consideration was and will be funded by internal resources and bank borrowings of the Group.

In arriving at the 100% Consideration, the Group took into account a number of factors including, among others, (i) the recent land auction price in Xishuangbanna, Yunnan Province; (ii) the valuation of the Land as at 30 June 2019 was RMB740 million; (iii) the total asset value and net asset value of the Target as at 30 June 2019 which amounted to approximately RMB414.74 million and RMB199.88 million, respectively; (iv) the adjusted net asset value of the Target is RMB526.08 million, after taking into account of the valuation of the Land as at 30 June 2019; and (v) the 100% Vendors' Loans in the aggregate amount of approximately RMB180.79 million, which will be paid by the Purchaser to the 49% Vendor and the 51% Vendor out of the 100% Consideration.

Completion of the 100% Acquisition

Completion of the 49% Acquisition and the 51% Acquisition are subject to the Company having obtained shareholders' approval at the EGM for the 49% Equity Transfer Agreement and the 51% Equity Transfer Agreement, and the consummation of the transactions contemplated thereunder. The completion of the 49% Acquisition and 51% Acquisition are not inter-conditional.

As set out in the section headed "Litigation between the Purchaser and the 49% Vendor", the Purchaser and the 49% Vendor are currently in dispute over an aggregate outstanding consideration of the 49% Consideration amounting to RMB51.9 million (the "**Remaining Outstanding Consideration**").

As advised by the PRC Legal Advisors, (i) as both Purchaser and 49% Vendor have completed the registration for the transfer of 49% equity interests in the Target with the relevant government authorities, the 49% Vendor has effectively transferred the legal title to the 49% equity interests in the Target to the Purchaser; and (ii) by completing the registration for the transfer of 49% equity interests in the Target with the relevant government authorities, the 49% Vendor has effectively narrowed its cause of action to a demand for outstanding balance (i.e. the Remaining Outstanding Consideration) and have effectively extinguished its right on termination of the 49% Equity Transfer Agreement.

Based on the above advice of the PRC Legal Advisors which is also agreed by the Directors, the Directors have decided that completion of 49% Acquisition will not be subject to settlement or outcome of the PRC legal proceeding and apart from obtaining shareholders' approval in the EGM, there are no other conditions to be fulfilled by the parties in order to proceed to completion. Upon completion of the 100% Acquisition, the Remaining Outstanding Consideration will be recognized as other payables in the Company's financial statements.

INFORMATION ON THE PARTIES

The Group and the Purchaser

The Group is principally engaged in property development focusing on development projects of residential and commercial properties. The Purchaser is a company established under the laws of the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company.

The Vendors

The 49% Vendor is a company established under the laws of the PRC with limited liability and is principally engaged in development of tourist attractions, property investment and development.

The 51% Vendor is a state-owned enterprise established under the laws of the PRC with limited liability and is principally engaged in property development and investment.

The Target

The Target is a company established under the laws of the PRC with limited liability on 9 September 2013. The principal assets of the Target are the three land parcels located at Phase 2 of Xishuangbanna Travel Resort, Yunnan Province, the PRC.

The land use rights of the two land parcels for residential use have been granted for terms of 70 years with expiry date until 31 December 2083 and 23 April 2083, respectively and the land use rights for one land parcel for commercial use have been granted for terms of 40 years with expiry date until 23 April 2053.

The Land will be developed into a mixed-use residential and commercial development in three phrases with a total approximate planned gross floor area of approximately 335,256 sq. m., comprising approximately 304,400 sq. m. of residential area, approximately 29,632 sq. m. of commercial area and approximately 1,224 sq. m. of ancillary area. The Target is currently engaged in the development of the Land and construction is scheduled to be completed by 2022. The details of which are provided as follows:

	Approximate planned gross floor area (sq.m.)			Construction plan and status
	Residential area	Commercial area	Ancillary area	
Phase I	5,354	11,561	—	Construction has commenced and is expected to be completed by December 2019
Phase II	80,790	18,071	1,224	Construction is expected to commence in October 2019 and complete by December 2021
Phase III	218,256	—	—	Construction is expected to commence in October 2020 and complete by December 2022
Sub total	304,400	29,632	1,224	
		Total	335,256	

Pre-sale is expected to be launched around March 2020 and the sale is expected to be completed by December 2022.

As at 30 June 2019, development costs of approximately RMB133.3 million has been incurred. The remaining development costs (including finance costs) to be incurred to complete the entire development of the Land are estimated to be not more than approximately RMB200 million and are expected to be financed by internal resources and bank borrowings of the Group.

The Target failed to commence the development of the Land before the stipulated deadline. According to Grant Contracts of State-owned Land Use Rights ("**Grant Contracts**") which are entered into by the 49% Vendor in April 2013, the construction works on the land have to be commenced on or before 18 June 2013 and completed on or before 18 June 2015. Commencement date and/or completion date for construction works stated in the building covenant for the property is lapsed and the construction works has not been completed as at the Latest Practicable Date. Pursuant to the Measures on Disposal of Idle Land (閒置土地處置辦法), the land may be treated as idle land and will be subject to the risk of idle land penalty or forfeiture. As of the Latest Practicable Date, the Target had not received any warning notice or been subject to any penalties or forfeiture in the nature of idle land fees from the local land bureau for its delay in commencing and/or completion of construction. The Company has also consulted the deputy director of Division of Travel and Tourism, Xishuangbanna Branch of Land and Resources* (西雙版納州國土資源局旅遊度假區分局) in this regard and such deputy director has confirmed that no action will be taken by Xishuangbanna Branch of Land and Resources* (西雙版納州國土資源局) in relation to the delay in commencement of construction. As advised by the PRC Legal Advisors, the Division of Travel and Tourism, Xishuangbanna Branch of Land and Resources is a competent government authority making the abovementioned confirmation.

The Company's PRC Legal Advisors are of the opinion that given that (i) the 49% Vendor has transferred the land use rights in the Land Grant Contracts to the Target in January 2014 at the valuation around such transfer and the relevant government authorities have not required the Target to enter into new

Land Grant Contracts with the Target; (ii) relevant construction permits in relation to the Land have been obtained in July 2015 and construction works have commenced on Phase I; (iii) the Target has not been subject to any penalty; and (iv) based on the Company's consultation with the deputy director of Division of Travel and Tourism, Xishuangbanna Branch of Land and Resources* (西雙版納州國土資源局旅遊度假區分局), no action will be taken by Xishuangbanna Branch of Land and Resources* (西雙版納州國土資源局) in relation to the delay in commencement of construction, the risk for the Target to be required to pay idle land fees or forfeit the land is remote.

Having considered the opinion of the Company's PRC Legal Advisors, the Board is of the view that the relevant delays will not have any material adverse impact to the future development of the Land and to the Group as a whole.

Litigation between the Purchaser and the 49% Vendor

On 3 June 2019, the 49% Vendor commenced proceedings at Xishuangbanna Intermediate People's Court (西雙版納州中級人民法院) against the Purchaser. The 49% Vendor demanded the Purchaser to pay (i) the outstanding balance of RMB21.9 million as stipulated in the 49% Equity Transfer Agreement; (ii) the outstanding balance of RMB30 million as stipulated in the 49% Equity Transfer Supplemental Agreement; and (iii) interests on the outstanding balances.

The Purchaser did not pay the outstanding balances due to the following reasons:

(i) In respect of the outstanding balance of RMB21.9 million, since the 49% Vendor had successively transferred funds in aggregate of approximately RMB10 million (the "**Transferred Funds**") out of the Target between September 2013 to July 2014, as part of the litigation proceedings the Target had instructed its legal advisers responsible for handling the litigation to request the Purchaser to deduct the Transferred Funds plus the interest losses calculated according to an annual interest rate of 15%. The Purchaser has withheld payment of such outstanding balance until the 49% Vendor settled such Transferred Funds and related interest or until such dispute has been resolved.

(ii) In respect of the outstanding balance of RMB30 million (the "**Disputed Amount**"), the 51% Vendor sent a letter to the 49% Vendor, indicating that it had paid to the 49% Vendor the entire equity transfer amount (including the remaining balance of RMB49 million) when it purchased 51% equity interest of the Target from the 49% Vendor. Therefore, the Directors are of the view that since there is no outstanding amount to be paid by the 51% Vendor to the 49% Vendor in relation to their transaction of 51% equity interests of the Target in April 2014, the Disputed Amount as stipulated in the 49% Equity Transfer Supplemental Agreement does not need to be paid.

As of the Latest Practicable Date, the litigation between the Purchaser and the 49% Vendor is still pending for judgement. As advised by the PRC Legal Advisors, (i) the Disputed Amount does not affect the legal title of the 51% equity interest in the Target and the 51% Vendor possess valid legal title in respect of the 51% equity interest in the Target prior to the 51% Acquisition; and (ii) in the worst case scenario, the Purchaser may be ordered to pay the alleged outstanding balances of RMB51.9 million of the 49% Consideration plus interest calculated thereafter until the date of the settlement of the outstanding balances. Based on the above and the reasons set out in the paragraph headed "Reasons for and benefit of the 100% Acquisition", the Directors decided to proceed with the 49% Acquisition and the 51% Acquisition.

Financial information on the Target

Set out below is the audited financial information of the Target for the two financial years ended 31 December 2017 and 2018 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the financial year ended 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Net loss before and after taxation	(19,430)	(21,002)

The net losses incurred by the Target for the years ended 31 December 2017 and 2018 were mainly attributable to interest charged on 49% Vendor's Loan and 51% Vendor's Loan. Such loans and accumulated interests form part of 51% Consideration and 49% Consideration to be paid by the Purchaser to the 51% Vendor and 49% Vendor, respectively. Since the Land is under development and construction is in progress, there was only minimal revenue until commencement on sale of property units on the Land.

The total assets and net asset values of the Target as at 30 June 2019 are RMB414.74 million and RMB199.88 million, respectively.

According to the valuation report prepared by Cushman & Wakefield, the market value of the Land was RMB740 million as at 30 June 2019. Set forth below is the reconciliation of the net book value of the Land as at 30 June 2019 to its market value as at 30 June 2019:

	RMB'000
Net book value of the Land as at 30 June 2019	
Properties under development (audited)	413,800
Valuation surplus	326,200
Valuation of the Land as at 30 June 2019	740,000

FINANCIAL EFFECT OF THE 100% ACQUISITION

Upon completion of the 100% Acquisition, the Group will be interested in 100% equity interests of the Target and accordingly the Target will become a subsidiary of the Company and the financial results, assets and liabilities of the Target will be consolidated into the accounts of the Group.

As shown in the unaudited pro forma financial information of the Enlarged Group set out in Appendix III, the 100% Acquisition will increase the total assets of the Group by approximately RMB88.62 million. The 100% Acquisition will increase the total liabilities of the Group by approximately RMB88.62 million. The Land, being the principal asset of the Target, is classified as properties under development and is stated at the lower of cost and net realisable value.

REASONS FOR AND BENEFIT OF THE 100% ACQUISITION

The 100% Acquisition will enable the Group to acquire the entire equity interest in the Target, which holds the land use rights of the Land. The Group has been looking for opportunities to enter into new and promising cities for business expansion. In view of the location and development of the Land which will mainly feature high end residential buildings on the Land implementing a concept of cultural, tourist and healthy environment and intended for middle-class or upper-class professionals and families. The Board considers that the 100% Equity Transfer Agreements and the transactions contemplated thereunder offers an excellent opportunity for the Group to diversify its investment and property portfolio to the Yunnan market, where the Board sees positive growth prospects, with a view to bringing more investment returns for its Shareholders.

Based on the above factors, the Directors (including the independent non-executive Directors) consider that the terms of the 100% Equity Transfer Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS OF THE 100% ACQUISITION

As one or more of the applicable percentage ratios in respect of the 100% Acquisition exceeds 25% but is less than 100%, the 100% Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

EGM

Set out on page EGM-1 to EGM-2 of this circular is a notice of the EGM to be held at Conference Room, 6th Floor, Chen Xing Tower, 131 West Yingbin Street, Yuci District, Jinzhong City, Shanxi Province, the People's Republic of China at 10:00 a.m. on Wednesday, 23 October 2019 for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve (i) the 49% Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) the 51% Equity Transfer Agreement and the transactions contemplated thereunder.

To ascertain Shareholders' eligibility to attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 10:00 a.m. on Friday, 18 October 2019. The register of members of the Company will be closed from Friday, 18 October 2019 to Wednesday, 23 October 2019, both days inclusive, for determination of entitlements to attend and vote at the EGM and during which period no transfer of Shares will be registered.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to the branch share registrar of the Company in Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. The resolutions put to vote at the EGM will be decided by way of poll.

VOTING AT THE EGM AND BOARD MEETINGS

As at the Latest Practicable Date, to the best of the Directors' knowledge, no Shareholder has a material interest in the 100% Acquisition and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting at the EGM. Written approval of the 100% Acquisition has been obtained from the controlling shareholder of the Company, White Dynasty Global Holdings Limited, which holds 346,944,000 Shares, representing 57.82% of the shareholding in the Company.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM will be voted by poll.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Director was in any way materially interested in the Acquisition and is required to abstain from voting in the board meeting approving the Agreement and the transactions contemplated thereunder.

RECOMMENDATIONS

The Directors consider that the terms of the 100% Acquisition are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 100% Acquisition and the transactions contemplated therein.

GENERAL INFORMATION

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

By order of the Board
Chen Xing Development Holdings Limited
Bai Xuankui
Chairman

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2018 and unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2019; together with the relevant notes thereto are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.chen-xing.cn):

- pages 2 to 14 in the interim results announcement of the Company for the six months ended 30 June 2019 published on 20 August 2019;
- pages 300 to 406 in the annual report of the Company for the year ended 31 December 2018 published on 29 April 2019;
- pages 246 to 334 in the annual report of the Company for the year ended 31 December 2017 published on 27 April 2018;
- pages 237 to 322 in the annual report of the Company for the year ended 31 December 2016 published on 27 April 2017;
- pages 167 to 242 in the annual report of the Company for the year ended 31 December 2015 published on 18 April 2016.

Each of the said consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular.

2. STATEMENT OF INDEBTEDNESS AND LEASE OBLIGATION

Indebtedness statement

As at the close of business on 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had an aggregated borrowings of approximately RMB2,773,479,000, which consisted of bank and other borrowings of RMB2,773,479,000.

As at 31 July 2019, the guaranteed bank and other borrowings of the Enlarged Group were as follows:

(i) the bank borrowings of approximately RMB100,000,000 were guaranteed by the Company, the director of the Company and the Company's controlling shareholders;

(ii) the bank borrowings of approximately RMB266,000,000 were secured by certain properties under development, buildings and investment properties and guaranteed by the Company;

(iii) the bank borrowings of approximately RMB340,000,000 were guaranteed by the shareholders of a subsidiary of the Group;

(iv) the bank borrowings of approximately RMB130,479,000 were guaranteed by a minority shareholder of a subsidiary of the Group;

(v) the other borrowings of approximately RMB49,000,000 were guaranteed by a subsidiary of the Group;

(vi) the bank borrowings of approximately RMB98,000,000 were secured by certain properties under development and guaranteed by the Company's controlling shareholders;

(vii) the bank borrowings of approximately RMB100,000,000 were guaranteed by subsidiaries of the Group, the director of the Company and the Company's controlling shareholders;

(viii) the bank borrowings of approximately RMB1,450,000,000 were secured by the shares of a subsidiary of the Group and guaranteed by subsidiaries of the Group, the director of the Company and the Company's controlling shareholders; and

(ix) the bank borrowings of approximately RMB240,000,000 were secured by certain properties under development and stock equity and guaranteed by the Company's controlling shareholders.

As at 31 July 2019, the Group provided guarantees of RMB1,903,280,000 in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale.

Save as aforesaid and apart from intra-group liabilities and trade payables in the ordinary course of business, as at the close of business on 31 July 2019, the Enlarged Group did not have any outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, or hire purchase of finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

Lease obligation

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one year.

As at 31 July 2019, the Group's total future minimum lease payments under non-cancellable operating leases is nil.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no 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 Group were made up.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources available to the Group including internally generated funds, bank borrowings and the estimated net proceeds from the Rights Issue (as defined in the prospectus of the Company dated 13 February 2019), the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of publication of this circular.

5. BUSINESS TREND AND FINANCIAL PROSPECTS OF THE GROUP

In the first half year of 2018, the PRC property industry entered into a new stage of control with tight overall regulation. The PRC government continued to intensify control of the industry by frequently introducing a number of policies. With the strict policy control, the transaction volume of new houses in the first- and second-tier cities continued to shrink in the first half year of 2018. The Group adjusted its operating strategy timely according to industry policies, achieving a significant growth in sales performance and revenue from its main businesses.

Revenue of the Group for the year ended 31 December 2018 decreased by 1.1% to RMB1,064.7 million as compared to the same period of 2017, included revenue from property development of approximately RMB1,057.4 million, a decrease of approximately 1.1% as compared with the same period of 2017. The profit for the period attributable to equity holders of the Group was approximately RMB124.9 million, a decrease of 27% as compared with the same period of 2017. For the year ended 31 December 2018, the Group's contracted sales amounted to approximately RMB1,862.1 million and the total contracted GFA sold reached approximately 229,855 square meters.

Based on the Group's judgement on the current situation of the PRC property market and future development trend, the Group will, in line with the policies, develop a number of new businesses through a diversified development strategy. The Group will be strategically positioned to enlarge its scale to achieve accelerated growth by expanding its industry chain. Meanwhile, it will continue to focus on developing residential properties for buyers of rigid demand, minimizing the development cycle during the development, controlling the development cost effectively and increasing its industry and product competitiveness.

In respect of land investment, the Group will increase its scope of land selections and include premium land parcels with investment values into its land bank from an investment perspective which is more precise and accurate. In addition, the Group will continue to actively seek for strategic partners as well as a win-win cooperative development model, with an aim to achieve accelerated growth and create greater benefits for the Group, partners and the Shareholders.

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

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Chen Xing Development Holdings Limited

Dear Sirs,

We report on the historical financial information of Xishuangbanna Jingyuan Investment Development Company Limited (the "**Target Company**") set out on pages II-4 to II-51, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 (the "**Relevant Periods**"), and the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018 and 30 June 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-51 forms an integral part of this report, which has been prepared for inclusion in the circular of Chen Xing Development Holdings 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 3.1 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 ("**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 3.1 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 Company as at 31 December 2016, 2017 and 2018 and 30 June 2019 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of preparation set out in note 3.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 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 3.1 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 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 3.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

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 Company 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(a) Statements of profit or loss and other comprehensive income

		Year ended 31 December			Six months ended 30 June	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Other income	5	5	36	7	4	1
Selling and distribution expenses		(3,437)	(1,657)	(897)	(635)	(127)
Administrative expenses		(1,558)	(1,860)	(1,533)	(817)	(3,138)
Other expenses		(147)	—	—	—	(1)
Finance costs	7	(11,256)	(15,949)	(18,579)	(8,972)	(885)
LOSS BEFORE TAX	6	(16,393)	(19,430)	(21,002)	(10,420)	(4,150)
Income tax expense	9	—	—	—	—	—
LOSS FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNNERS OF THE TARGET COMPANY		(16,393)	(19,430)	(21,002)	(10,420)	(4,150)

I HISTORICAL FINANCIAL INFORMATION (continued)

(b) Statements of financial position

		As at 31 December			As at 30 June
		2016	**2017**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	11	829	579	288	305
Intangible assets	12	116	84	52	36
Properties under development	13	395,141	406,079	412,861	413,800
Total non-current assets		396,086	406,742	413,201	414,141
CURRENT ASSETS					
Prepayments, other receivables and other assets	14	188	44	1	320
Due from a related party	22	—	—	—	200
Cash and cash equivalents	15	1,254	300	1,391	74
Total current assets		1,442	344	1,392	594
CURRENT LIABILITIES					
Trade payables	16	35,834	25,447	23,156	23,034
Other payables and accruals	17	12,557	10,707	9,609	8,888
Due to related parties	22	104,679	145,904	177,802	182,937
Total current liabilities		153,070	182,058	210,567	214,859
NET CURRENT LIABILITIES		(151,628)	(181,714)	(209,175)	(214,265)
TOTAL ASSETS LESS CURRENT LIABILITIES		244,458	225,028	204,026	199,876
Net assets		244,458	225,028	204,026	199,876
EQUITY					
Paid-up capital	19	290,314	290,314	290,314	290,314
Accumulated losses		(45,856)	(65,286)	(86,288)	(90,438)
Total equity		244,458	225,028	204,026	199,876

I HISTORICAL FINANCIAL INFORMATION (continued)

(c) Statements of changes in equity

	Paid-up capital *RMB'000*	**Accumulated losses** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2016	290,314	(29,463)	260,851
Loss for the year and total comprehensive loss for the year	—	(16,393)	(16,393)
At 31 December 2016 and 1 January 2017	290,314	(45,856)	244,458
Loss for the year and total comprehensive loss for the year	—	(19,430)	(19,430)
At 31 December 2017 and 1 January 2018	290,314	(65,286)	225,028
Loss for the year and total comprehensive loss for the year	—	(21,002)	(21,002)
At 31 December 2018 and 1 January 2019	290,314	(86,288)	204,026
Loss for the period and total comprehensive loss for the period	—	(4,150)	(4,150)
At 30 June 2019	290,314	(90,438)	199,876
At 1 January 2018	290,314	(65,286)	225,028
Loss for the period and total comprehensive loss for the period (Unaudited)	—	(10,420)	(10,420)
At 30 June 2018 (Unaudited)	290,314	(75,706)	214,608

I HISTORICAL FINANCIAL INFORMATION (continued)

(d) Statements of cash flows

		Year ended 31 December			Six months ended 30 June	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(16,393)	(19,430)	(21,002)	(10,420)	(4,150)
Adjustments for:						
Finance costs	7	11,256	15,949	18,579	8,972	885
Depreciation	11	344	335	291	153	138
Amortisation of intangible assets	12	32	32	32	16	16
Write off of property, plant and equipment	11	17	—	—	—	—
		(4,744)	(3,114)	(2,100)	(1,279)	(3,111)
Increase in properties under development		(74,508)	(10,938)	(6,782)	(2,630)	(939)
Increase in amount due from a related party		—	—	—	—	(200)
Decrease/(increase) in prepayments, other receivables and other assets		117	144	43	15	(319)
Increase/(decrease) in trade payables		35,455	(10,387)	(2,291)	(1,631)	(122)
Decrease in other payables and accruals		(315)	(1,850)	(1,098)	(793)	(721)
Increase in amount due to a related party		—	—	—	—	2,300
Cash used in operations		(43,995)	(26,145)	(12,228)	(6,318)	(3,112)
Net cash flows used in operating activities		(43,995)	(26,145)	(12,228)	(6,318)	(3,112)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	11	(34)	(85)	—	—	(155)
Net cash flows used in investing activities		(34)	(85)	—	—	(155)

I HISTORICAL FINANCIAL INFORMATION (continued)

(d) Statements of cash flows (continued)

		Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase in amounts due to related parties		44,616	25,276	13,319	6,348	1,950
Net cash flows from financing activities		44,616	25,276	13,319	6,348	1,950
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		587	(954)	1,091	30	(1,317)
Cash and cash equivalents at beginning of year/period		667	1,254	300	300	1,391
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	15	1,254	300	1,391	330	74

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Corporate information

The Target Company is a limited liability company established in the PRC on 9 September 2013. The registered office and the principal place of the Target Company is located at No 1, Mengle Road, Xishuangbanna, Yunnan Province, the PRC.

During the Relevant Periods, the Target Company was principally involved in property development and held certain parcels of land located at Phase 2 of Xishuangbanna Travel Resort, Yunnan Province, the PRC.

The Target Company is 51% owned by Beijing Sunshine Real Estate Comprehensive Development Co., Ltd. (北京陽光房地產綜合開發有限公司)("**Beijing Sunshine**") and 49% owned by Xishuangbanna Haoyuan Tourism Development Co., Ltd. (西雙版納昊緣旅遊發展有限公司) ("**Haoyuan Tourism**"), both of which are registered in the PRC. In the opinion of the directors of the Target Company, the State-owned Assets Supervision and Administration Commission of the people's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會) is the ultimate holding company of the Target Company at the end of 31 December 2016, 2017 and 2018. In January 2019, Chenxing Real Estate Development Co., Ltd. ("**Chenxing Real Estate**"), a subsidiary of the Company, acquired the 51% equity interest in the Target Company from Beijing Sunshine and Sichuan Chenxing Real Estate Development Co., Ltd. ("**Sichuan Chenxing**"), another subsidiary of the Company, acquired the 49% equity interest in the Target Company from Haoyuan Tourism.

The statutory financial statements of the Target Company for the years ended 31 December 2016 and 2017 prepared under PRC Generally Accepted Accounting Principles were audited by Ruihua Certified Public Accountants Co., Ltd. (瑞華會計師事務所 (特殊普通合夥)) and Grant Thornton Certified Public Accountants (致同會計師事務所 (特殊普通合夥)), respectively. No audited financial statements have been prepared for the Target Company for the year ended 31 December 2018 as the Target Company was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

2. Fundamental accounting concept

Despite the Target Company's net current liabilities as at 30 June 2019, the Historical Financial Information has been prepared by the Target Company under the going concern concept because the Company has agreed to provide continual financial support and adequate funds for the Target Company to meet its liabilities as and when they fall due.

3.1 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.

The Historical Financial Information has been prepared under the historical cost convention.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.2 Changes in accounting policies and disclosures

The Target Company has adopted the following new and revised HKFRSs for the first time for the financial statements, which are applicable to the Target Company.

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Target Company HKFRS 9 prospectively, with an initial application date of 1 January 2018. The Target Company has not restated financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of HKFRS 9, which continues to be reported under HKAS 39 and is not comparable to the information presented for 2018.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement		Re-classification	ECL	HKFRS 9 measurement	
	Category	**Amount**			**Amount**	**Category**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets						
Financial assets included in prepayments, other receivables and other assets	L&R[1]	12	—	—	12	AC[2]
Cash and cash equivalents	L&R	300	—	—	300	AC
Total assets		312	—	—	312	

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 9

Classification and measurement (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows: (continued)

	HKAS 39 measurement		Re-		HKFRS 9 measurement	
	Category	Amount	classification	ECL	Amount	Category
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial liabilities						
Trade payables	AC	25,447	—	—	25,447	AC
Financial liabilities included in other payables and accruals	AC	102	—	—	102	AC
Due to related parties	AC	145,904	—	—	145,904	AC
Total liabilities		171,453	—	—	171,453	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Impairment

Details of the Target Company's impairment method are disclosed in note 3.4 to the Historical Financial Information.

There was no change to the Target Company's accumulated losses as at 1 January 2018 as the changes to the impairment calculation and measurement of financial instruments had minimal impact to the financial information.

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Target Company did not generate any revenue. Accordingly, the adoption of HKFRS 15 did not have any significant impact on the Target Company's financial information.

II NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 Changes in accounting policies and disclosures (continued)

(c) HKFRS 16 supersedes HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Target Company is the lessor.

The Target Company adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2016, 2017 and 2018 were not restated and continue to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Target Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Target Company allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Target Company has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

II NOTES TO THE FINANCIAL INFORMATION (continued)

3.2 Changes in accounting policies and disclosures (continued)

(c) Adoption of HKFRS 16

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Target Company has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Target Company previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Target Company. Under HKFRS 16, the Target Company applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Target Company has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Target Company recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

The Target Company has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The Target Company only has leases with a lease term of 12 months or less. Accordingly, the adoption of HKFRS 16 did not have any significant impact on the Target Company's financial information.

(d) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Target Company considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Target Company's tax compliance and transfer pricing study, the Target Company determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Target Company's Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Target Company 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 Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Company considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Target Company's financial performance and financial position.

3.4 Summary of significant accounting policies

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current 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 in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods 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 an asset other than goodwill 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.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Related parties

A party is considered to be related to the Target Company 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 Company;

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

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

or

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

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

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

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	19.40%–32.33%
Motor vehicles	19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Properties under development

Properties under development are intended to be held for sale after completion. On completion, the properties are transferred to completed properties held for sale. Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as non-current assets as they will not be realised in the normal operating cycle.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life 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 each financial year end.

Software

Purchase software is stated at cost less any impairment losses and are amortised on the straight-line basis over its estimated useful life of 5 years.

Leases (applicable from 1 January 2019)

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Target Company's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Target Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Target Company's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Company and payments of penalties for termination of a lease, if the lease term reflects the Target Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019) (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Target Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Target Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Leases (applicable before 1 January 2019)

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 Company is the lessor, assets leased by the Target Company 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. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. The Target Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Initial recognition and measurement (continued)

The Target Company'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 Company 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 subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Target Company measures financial assets at amortised cost 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 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.

Financial assets at fair value through other comprehensive income (debt instruments)

The Target Company measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- 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.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Financial assets at fair value through other comprehensive income (debt instruments) (continued)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Target Company can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Target Company and the amount of the dividend can be measured reliably, except when the Target Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Financial assets at fair value through profit or loss (continued)

This category includes derivative instruments and equity investments which the Target Company had not irrevocably elected to classify fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Target Company and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

Reassessment only occurs if there if either a change in the terms of the contract that significantly modifies the cash flow that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company 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.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in administrative expenses for receivables.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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 Company's statement of financial position) when:

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

- the Target Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company 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 Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company 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 Company 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 Company could be required to repay.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Target Company 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 differences between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company 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.

General approach

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 Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company 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.

For debt investments at fair value through other comprehensive income, the Target Company applies the low credit risk simplification. At each reporting date, the Target Company evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Target Company reassesses the external credit ratings of the debt investments. In addition, the Target Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

Debt investments at fair value through other comprehensive income and 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 except for trade receivables and contract assets which apply the simplified approach as detailed below.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

General approach (continued)

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

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade and other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate 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.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement 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 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, and form an integral part of the Target Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

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 are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

3.4 Summary of significant accounting policies (continued)

Revenue recognition (applicable from 1 January 2018)

Other 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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

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

Employee benefits

Pension scheme

The employees of the Target Company which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the periods in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate 15% has been applied to the expenditure on the individual assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

4. Operating segment information

For management purposes, the Target Company is not organised into business units based on their products and services and has only one reportable operating segment. Management monitors the operating results of the Target Company's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

No geographical information is presented as no non-current assets of the Target Company are located outside Mainland China.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. Other income

An analysis of other income is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Bank interest income	5	2	1	—	1
Others	—	34	6	4	—
	5	36	7	4	1

6. Loss before tax

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

		Year ended 31 December			Six months ended 30 June	
		2016	2017	2018	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Depreciation	11	344	335	291	153	138
Amortisation of intangible assets*	12	32	32	32	16	16
Auditor's remuneration		22	22	—	—	—
Bank interest income	5	(5)	(2)	(1)	—	(1)
Write off of property, plant and equipment	11	17	—	—	—	—
Operating lease expenses		146	—	—	—	92
Employee benefit expense (excluding directors' remuneration (note 8)):						
Wages and salaries		1,198	743	647	409	1,824
Pension scheme contributions		188	145	46	28	4
Staff welfare expenses		229	173	76	36	127
		1,615	1,061	769	473	1,955

* The amortisation of in intangible assets for the Relevant Periods and the six months ended 30 June 2018 is included in "Administrative expenses" in the statements of profit or loss and other comprehensive income.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

7. Finance costs

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on loans from related parties	11,256	15,949	18,579	8,972	885

8. Directors' remuneration and five highest paid employees

No director received any fees or emoluments in respect of their services rendered to the Target Company during the Relevant Periods and the six months ended 30 June 2018.

None of the highest paid individuals were directors of the Target Company for the Relevant Periods and the six months ended 30 June 2018. Details of the remuneration for the non-director, highest paid employees of the Target Company during the Relevant Periods and the six months ended 30 June 2018 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	1,617	1,628	1,940	712	133
Performance related bonuses	778	886	738	369	—
Pension scheme contributions	157	181	197	135	25
	2,552	2,695	2,875	1,216	158

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	
Nil to HKD$1,000,000	5	5	5	5	5

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

9. Income tax expense

Pursuant to the corporate Income Tax Law of the PRC and the respective regulation, the Target Company is subject to corporate income tax at a rate of 25% on the taxable income.

No provision for the PRC profits tax has been made as the Target Company did not generate any assessable profits arising in the PRC during the Relevant Periods and the six months ended 30 June 2018.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Target Company is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e. the statutory tax rate) to the effective tax rate are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Loss before tax	(16,393)	(19,430)	(21,002)	(10,420)	(4,150)
Tax at the statutory tax rate of 25%	(4,098)	(4,858)	(5,251)	(2,605)	(1,038)
Tax losses not recognised	4,098	4,858	5,251	2,605	1,038
Tax charge at the effective tax rate	—	—	—	—	—

The Target Company has tax losses arising in Mainland China of RMB25,815,000, RMB45,245,000, RMB66,247,000, and RMB70,397,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively, that will expire on one to five years for offsetting against future taxable profits.

10. Dividends

No dividend has been paid or declared by the Target Company since its date of incorporation.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

11. Property, plant and equipment

	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2016			
At 1 January 2016:			
Cost	311	1,260	1,571
Accumulated depreciation	(96)	(319)	(415)
Net carrying amount	215	941	1,156
At 1 January 2016, net of accumulated depreciation	215	941	1,156
Additions	34	—	34
Write off	(17)	—	(17)
Depreciation provided during the year	(104)	(240)	(344)
At 31 December 2016, net of accumulated depreciation	128	701	829
At 31 December 2016:			
Cost	322	1,260	1,582
Accumulated depreciation	(194)	(559)	(753)
Net carrying amount	128	701	829
31 December 2017			
At 1 January 2017:			
Cost	322	1,260	1,582
Accumulated depreciation	(194)	(559)	(753)
Net carrying amount	128	701	829
At 1 January 2017, net of accumulated depreciation	128	701	829
Additions	85	—	85
Depreciation provided during the year	(96)	(239)	(335)
At 31 December 2017, net of accumulated depreciation	117	462	579
At 31 December 2017:			
Cost	407	1,260	1,667
Accumulated depreciation	(290)	(798)	(1,088)
Net carrying amount	117	462	579

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

11. Property, plant and equipment (continued)

	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2018			
At 1 January 2018:			
Cost	407	1,260	1,667
Accumulated depreciation	(290)	(798)	(1,088)
Net carrying amount	117	462	579
At 1 January 2018, net of accumulated depreciation	117	462	579
Depreciation provided during the year	(52)	(239)	(291)
At 31 December 2018, net of accumulated depreciation	65	223	288
At 31 December 2018:			
Cost	407	1,260	1,667
Accumulated depreciation	(342)	(1,037)	(1,379)
Net carrying amount	65	223	288
30 June 2019			
At 1 January 2019:			
Cost	407	1,260	1,667
Accumulated depreciation	(342)	(1,037)	(1,379)
Net carrying amount	65	223	288
At 1 January 2019, net of accumulated depreciation	65	223	288
Additions	155	—	155
Depreciation provided during the period	(18)	(120)	(138)
At 30 June 2019, net of accumulated depreciation	202	103	305
At 30 June 2019:			
Cost	562	1,260	1,822
Accumulated depreciation	(360)	(1,157)	(1,517)
Net carrying amount	202	103	305

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12. Intangible assets

	Software
	RMB'000
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation	148
Amortisation provided during the year	(32)
At 31 December 2016	116
At 31 December 2016:	
Cost	159
Accumulated amortisation	(43)
Net carrying amount	116
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	116
Amortisation provided during the year	(32)
At 31 December 2017	84
At 31 December 2017:	
Cost	159
Accumulated amortisation	(75)
Net carrying amount	84

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12. Intangible assets (continued)

	Software
	RMB'000
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	84
Amortisation provided during the year	(32)
At 31 December 2018	52
At 31 December 2018:	
Cost	159
Accumulated amortisation	(107)
Net carrying amount	52
30 June 2019	
Cost at 1 January 2019, net of accumulated amortisation	52
Amortisation provided during the period	(16)
At 31 December 2018	36
At 31 December 2018:	
Cost	159
Accumulated amortisation	(123)
Net carrying amount	36

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. Properties under development

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of year/period	320,633	395,141	406,079	412,861
Addition during the year/period	74,508	10,938	6,782	939
Carrying amount at end of year/period	395,141	406,079	412,861	413,800
Non-current portion	395,141	406,079	412,861	413,800

Properties under development are classified as non-current assets as they will not be realised in the normal operating cycle.

14. Prepayments, other receivables and other assets

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	187	31	—	—
Deposits and other receivables	—	12	—	10,295
Other tax recoverable	1	1	1	1
	188	44	1	10,296
Impairment allowance	—	—	—	(9,976)
	188	44	1	320

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

15. Cash and cash equivalents

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	1,254	300	1,391	74

At 31 December 2016, 2017 and 2018 and 30 June 2019, the entire balance of cash and cash equivalents of the Target Company was denominated in RMB. The 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 Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

The carrying amounts of the cash and cash equivalents approximate to their fair values.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16. Trade payables

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	35,834	25,447	23,156	23,034

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the payment due date, is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	35,818	585	71	4
1 to 2 years	4	24,850	582	253
2 to 3 years	12	—	22,491	22,670
Over 3 years	—	12	12	107
	35,834	25,447	23,156	23,034

Trade payables are unsecured, interest-free and are normally settled based on the progress of construction.

17. Other payables and accruals

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	3,145	1,915	848	—
Other payables	693	102	71	85
Tax payable other than corporate income tax	8,719	8,690	8,690	8,803
	12,557	10,707	9,609	8,888

Other payables are non-interest-bearing and repayable on demand.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18. Notes to the statements of cash flows

Changes in liabilities arising from financing activities

	RMB'000
At 1 January 2016	48,807
Changes from financing cash flows	44,616
Interest expense	11,256
At 31 December 2016 and 1 January 2017	104,679
Changes from financing cash flows	25,276
Interest expense	15,949
At 31 December 2017 and 1 January 2018	145,904
Changes from financing cash flows	13,319
Interest expense	18,579
At 31 December 2018 and 1 January 2019	177,802
Changes from financing cash flows	1,950
Changes from operating cash flows	2,300
Interest expense	885
At 30 June 2019	182,937

19. Paid-up capital

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	290,314	290,314	290,314	290,314

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. Capital commitments

The Target Company had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property development activities	44,615	30,940	28,973	28,847

21. Contingent liabilities

At the end of each of the Relevant Periods, the Target Company had no significant contingent liabilities.

22. Related party transactions

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Company had the following transaction with related parties during the Relevant Periods and the six months ended 30 June 2018:

		Year ended 31 December			Six months ended 30 June	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Loans from a shareholder						
Beijing Sunshine	(i)	44,616	25,276	13,319	6,348	1,950
Interest expense to shareholders						
Beijing Sunshine	(ii)	10,859	15,554	18,184	8,776	397
Haoyuan Tourism	(ii)	397	395	395	196	488
		11,256	15,949	18,579	8,972	885
Advances from a shareholder						
Sichuan Chenxing		—	—	—	—	2,300

Notes:

(i) The loans are unsecured and bear interest at fixed rate of 15% per annum.

(ii) The interests were charged at fixed rates as stipulated in the relevant loan contracts.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

22. Related party transactions (continued)

(b) Outstanding balances with related parties:

		As at 31 December			As at 30 June
		2016	**2017**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from a related party					
Xishuangbanna Yunchen Real Estate Co., Ltd	(i)	—	—	—	200
Haoyuan Tourism	(i)	9,976	9,976	9,976	—
		9,976	9,976	9,976	200
Impairment allowance		(9,976)	(9,976)	(9,976)	—
		—	—	—	200
Due to related parties					
Beijing Sunshine	(ii)	101,163	141,993	173,496	—
Haoyuan Tourism	(ii)	3,516	3,911	4,306	—
Chenxing Real Estate	(iii)	—	—	—	175,843
Sichuan Chenxing	(iii)	—	—	—	7,094
		104,679	145,904	177,802	182,937

Notes:

(i) The balances were repayable on demand, unsecured and interest-free. As at 30 June 2019, Haoyuan Tourism was no longer considered as a related party to the Target Company.

(ii) The balances were repayable on demand, unsecured and interest-bearing. As at 30 June 2019, Beijing Sunshine and Haoyuan Tourism were no longer considered as related parties to the Target Company.

(iii) The balances were repayable on demand, unsecured and interest-bearing except for an outstanding balance of RMB2,300,000 was non-interest bearing. As at 30 June 2019, Chenxing Real Estate and Sichuan Chenxing, has become the shareholders of the Target Company and are considered as related parties to the Target Company.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

22. Related party transactions (continued)

(c) Compensation of key management personnel of the Target Company:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Short term employee benefits	1,300	1,341	2,000	650	67
Pension scheme contributions	63	72	84	41	13
Total compensation paid to key management personnel	1,363	1,413	2,084	691	80

Future details of directors' and chief executive's emoluments are included in note 8 to the Historical Financial Information.

23. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 December 2016

Financial assets

	Loans and receivables
	RMB'000
Cash and cash equivalents	1,254

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	35,834
Financial liabilities included in other payables and accruals	693
Due to related parties	104,679
	141,206

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

31 December 2017

Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, other receivables and other assets	12
Cash and cash equivalents	300
	312

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	25,447
Financial liabilities included in other payables and accruals	102
Due to related parties	145,904
	171,453

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

31 December 2018

Financial assets

	Financial assets at amortised cost
	RMB'000
Cash and cash equivalents	1,391

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	23,156
Financial liabilities included in other payables and accruals	71
Due to related parties	177,802
	201,029

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

30 June 2019

Financial assets

	Financial assets at amortised cost
	RMB'000
Financial assets included in prepayments, other receivables and other assets	319
Due from related parties	200
Cash and cash equivalents	74
	593

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	23,034
Financial liabilities included in other payables and accruals	85
Due to related parties	182,937
	206,056

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

24. Fair value of financial instruments

The management of the Target Company has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

25. Financial risk management objectives and policies

The Target Company's principal financial instruments mainly include cash and cash equivalents, and trade payables, which arise directly from its operations. The Target Company has other financial assets and liabilities such as amounts due to related parties, other receivables and other payables. The main purpose of these financial instruments is to raise finance for the Target Company's operations.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. Generally, the Target Company introduces conservative strategies on its risk management. To keep the Target Company's exposure to these risks to a minimum, the Target Company has not used any derivatives and other instruments for hedging purposes. The Target Company does not hold or issue derivative financial instruments for trading purposes. The finance manager reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations.

The Target Company has no concentrations of credit risk in view of its large number of customers. The Target Company did not record any significant bad debt losses during the Relevant Periods and the six months ended 30 June 2018.

The credit risk of the Target Company's other financial assets, which mainly comprise other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

25. Financial risk management objectives and policies (continued)

Liquidity risk

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of loans from related parties.

The maturity profile of the Target Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	31 December 2016					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	35,834	—	—	—	—	35,834
Financial liabilities included in other payables and accruals	693	—	—	—	—	693
Due to related parties	104,679	—	—	—	—	104,679
	141,206	—	—	—	—	141,206

	31 December 2017					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	25,447	—	—	—	—	25,447
Financial liabilities included in other payables and accruals	102	—	—	—	—	102
Due to related parties	145,904	—	—	—	—	145,904
	171,453	—	—	—	—	171,453

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

25. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The maturity profile of the Target Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows: (continued)

	31 December 2018					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	23,156	—	—	—	—	23,156
Financial liabilities included in other payables and accruals	71	—	—	—	—	71
Due to related parties	177,802	—	—	—	—	177,802
	201,029	—	—	—	—	201,029

	30 June 2019					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	23,034	—	—	—	—	23,034
Financial liabilities included in other payables and accruals	85	—	—	—	—	85
Due to related parties	182,937	—	—	—	—	182,937
	206,056	—	—	—	—	206,056

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

25. Financial risk management objectives and policies (continued)

Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company'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 Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods and the six months ended 30 June 2018.

The Target Company monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes amounts due to related parties. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to related parties	104,679	145,904	177,802	182,937
Total debt	104,679	145,904	177,802	182,937
Total equity	244,458	225,028	204,026	199,876
Gearing ratio	42.82%	64.84%	87.15%	91.53%

26. Subsequent financial statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 2019.

This unaudited pro forma consolidated statement of financial position (the "**Unaudited Pro Forma Financial Information**") has been prepared for the purpose of providing shareholders of the Company with information about the impact of the Acquisition by illustrating how the proposed acquisition of the entire equity interests in Xishuangbanna Jingyuan Investment Development Co., Ltd. (the "**Acquisition**") might have affected the financial position of the Group as at 30 June 2019, had the completion of the Acquisition taken place on 30 June 2019.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2019. Neither does the Unaudited Pro Forma Financial Information purport to predict the future financial position of the Enlarged Group.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of the financial position of the Group as at 30 June 2019 as set out in the unaudited interim financial information of the Group for the six months ended 30 June 2019, and the audited statement financial position of the Target Company as at 30 June 2019 as set out in the accountants' report of the Target Company included in the Appendix II to this circular, after giving effect to the pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

Unaudited pro forma consolidated statement of financial position

	The Group as at 30 June 2019	The Target Company as at 30 June 2019	Pro Forma Adjustments Note 2(a)	Note 2(b)	Note 2(c)	Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS						
Property, plant and equipment	75,240	305	(305)			75,240
Investment properties	145,000	—				145,000
Properties under development	489,333	413,800		294,744	(708,544)	489,333
Intangible assets	97	36	(36)			97
Investment in a joint venture	988	—				988
Investment in an associate	22,195	—				22,195
Deferred tax assets	216,439	—				216,439
Prepaid land lease payments	1,307	—				1,307
Total non-current assets	950,599	414,141				950,599
CURRENT ASSETS						
Properties under development	5,945,759	—	(704,394)		708,544	5,949,909
Completed properties held for sale	438,445	—				438,445
Inventories	4,681	—				4,681
Prepayments, other receivables and other assets	1,100,515	320	620,543	(620,863)		1,100,515
Tax recoverable	128,189	—				128,189
Trade receivables	2,805	—				2,805
Financial assets at fair value through profit or loss	1,500	—				1,500
Due from related parties	108,956	200	(200)			108,956
Pledged deposits	84,021	—				84,021
Cash and cash equivalents	1,332,005	74	(74)			1,332,005
Total current assets	9,146,876	594				9,151,026

	The Group as at 30 June 2019	The Target Company as at 30 June 2019	Pro Forma Adjustments			Unaudited pro forma of the Enlarged Group
			Note 2(a)	Note 2(b)	Note 2(c)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES						
Trade payables	731,074	23,034	(23,034)			731,074
Other payables and accruals	1,797,318	8,888	(65,582)	56,694		1,797,318
Contract liabilities	4,929,981	—				4,929,981
Interest-bearing bank and other borrowings	217,080	—				217,080
Due to related parties	98,540	182,937		(182,937)		98,540
Due to a director	91	—				91
Tax payable	38,180	—				38,180
Total current liabilities	7,812,264	214,859				7,812,264
Net current assets/(liabilities)	1,334,612	(214,265)				1,338,762
Total assets less current liabilities	2,285,211	199,876				2,289,361
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	866,949	—				866,949
Deferred tax liabilities	6,169	—				6,169
Total non-current liabilities	873,118	—				873,118
Net assets	1,412,093	199,876				1,416,243
EQUITY						
Equity attributable to owners of the parent						
Share capital	5,003	290,314		(290,314)		5,003
Reserves	1,284,716	(90,438)	4,150	90,438		1,288,866
	1,289,719	199,876				1,293,869
Non-controlling interests	122,374	—				122,374
Total equity	1,412,093	199,876				1,416,243

Notes:

1. Basis of preparation

This Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules and based upon: (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019, which has been extracted from the unaudited interim financial information of the Group for the six months ended 30 June 2019; and (ii) the audited statement of financial position of the Target Company as at 30 June 2019, which has been extracted from the accountants' report of the Target Company included in Appendix II to this circular; and adjusted in accordance with the pro forma adjustments described in note 2 below, as if the Acquisition had been completed at 30 June 2019.

This Unaudited Pro Forma Financial Information has been prepared in a manner consistent with both the format and accounting policies adopted by the Group in the unaudited interim financial information for the six months ended 30 June 2019.

2. Notes to the pro forma adjustments

(a) Pursuant to the terms of the equity transfer agreements, the Group obtained control over the Target Company upon completion of the update registration with the relevant authorities for the Acquisition on 29 January 2019 and therefore, the unaudited interim financial information of the Group has included the financial information of the Target Company for the six months ended 30 June 2019. The adjustment represents the deconsolidation of the financial information of the Target Company as if the update registration had not been done and the Target Company was not considered as a subsidiary of the Group as at 30 June 2019.

(b) The Target Company holds three parcels of land with preliminary development conducted. Under *Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations* ("**HKFRS 3**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), the acquisition method does not apply to a situation where the acquisition of an asset or a group of assets does not constitute a business. As a result, the Group will recognise the individual identifiable assets acquired and liabilities assumed in the Acquisition. In accordance with HKFRS 3, the consideration shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of completion of the Acquisition. Such a transaction or event does not give rise to goodwill.

The adjustment represents (i) the cash payment of RMB675.3 million for the Acquisition, in which RMB494.6 million for the equity interest (RMB251.9 million and RMB242.7 million for the 49% equity interest and 51% equity interest in the Target Company, respectively) and RMB180.6 million for the obligation rights (RMB4.8 million and RMB175.8 million for the 49% Vendor's Loan and 51% Vendor's Loan inclusive of accumulated interests, respectively). As at 30 June 2019, the Group has paid RMB618.6 million and will pay the remaining amount of RMB56.7 million upon the final outcome of the litigation between the Company and the 49% Vendor; (ii) the elimination of the share capital of the Target Company of RMB290.3 million and pre-acquisition accumulated losses of RMB90.4 million; (iii) the excess of the consideration for the equity interest of RMB494.6 million over the net assets value of the Target Company of RMB199.9 million, being allocated to the properties under development in accordance with HKFRS 3; and (iv) the elimination of the amount due from the Target Company to the Group of RMB2.3 million.

(c) The adjustment represents the reclassification adjustment of properties under development of the Target Company from non-current portion to current portion as the Group plans to commence the development in due course after the Acquisition.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certificated Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Chen Xing Development Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chen Xing Development Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2019 and related notes as set out on pages III-1 to III-4 of the circular dated 30 September 2019 issued by the Company (the "**Circular**") (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in notes 1 to 2 on pages III-4 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire equity interests in Xishuangbanna Jingyuan Investment Development Co., Ltd. (the "**Acquisition**") on the Group's financial position as at 30 June 2019 as if the Acquisition had taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited interim financial information for the six months ended 30 June 2019, on which no audit or review report has been published.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 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 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 behavior.

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 paragraph 4.29(7) of the Listing Rules, on the Unaudited 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 Unaudited 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 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 Unaudited Pro Forma Financial Information in accordance with paragraph 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 Unaudited Pro Forma Financial Information.

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

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

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

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

The engagement also involves evaluating the overall presentation of the Unaudited 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 Unaudited Pro Forma Financial Information has been properly complied 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 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 the Target for each of the three years ended 31 December 2018 and the six months ended 30 June 2019 (the "**Track Record Period**").

BUSINESS REVIEW

The Target is a company established under the laws of the PRC with limited liability on 9 September 2013. The principal assets of the Target are three land parcels located at Phase 2 of Xishuangbanna Travel Resort, Yunnan Province, the PRC with a total site area of approximately 223,837.30 sq. m.. The land will be developed into a mixed-use residential and commercial development in three phrases with a total approximate planned gross floor area of approximately 335,256 sq. m., comprising approximately 304,400 sq. m. of residential area, approximately 29,632 sq. m. of commercial area and approximately 1,224 sq. m. of ancillary area. The Target is currently engaged in the construction and development of the Land and construction is scheduled to be completed by December 2022.

FINANCIAL REVIEW

Revenue

As pre-sales and sales of the Land has not yet commenced, the Target did not have any revenue generated from property sale.

Other income

Other income mainly represented bank interest income and others.

Selling and distribution expenses

Selling and distribution expenses mainly represent advertising expense and staff expense.

Administrative expenses

Administrative expenses mainly represented depreciation, rental expenses and salary expenses incurred by the Target.

Finance costs

Finance costs represented the interest expenses incurred for the loans granted by the 49% Vendor and the 51% Vendor.

Other expenses

Other expenses represented penalty on incomplete approval procedure in the commencement of construction, donations and impairment of office equipment.

Properties under development

The balance mainly represented the land premium paid by the Target for the acquisition of the land and construction costs of the properties under development of the Target. The Target is currently engaged in the construction and development of the parcel of land which is designated for commercial purpose.

Due to related parties

The balance represented unsecured loans granted by the 49% Vendor and the 51% Vendor during the Track Record Period, which bore interests at 15% per annum and repayable on demand.

Pledge of assets

The Target did not pledge any of its assets as at 30 June 2019.

Liquidity, financial resources and capital structure

As at 30 June 2019, the Target had net assets and net current liabilities of approximately RMB199.9 million and RMB214.3 million, respectively. The Group is committed to provide continual financial support and adequate funds for the Target to meet its liabilities as and when they fall due. The Target's objective is to maintain a balance between continuity of funding and flexibility through the use of loans from shareholder.

As at 30 June 2019, the Target had cash and cash equivalents of approximately RMB74,000 and loans from shareholders of RMB182.9 million.

During the Track Record Period, the Target did not have any foreign exchange exposure arising from its assets and liabilities.

Significant investment and material acquisition and disposal

During the Track Record Period, the Target did not have other significant investment except the Land nor did it have any acquisition or disposal of subsidiaries and associated companies.

Gearing ratio

As at 30 June 2019, due to related parties divided by total equity of the Target was 92%.

Employees and Remuneration Policy

The Target had one employee as at 30 June 2019. Remuneration and other benefits of employees are reviewed in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. The employee of the Target is required to participate in a central pension scheme operated by the local municipal government in Mainland China, and the Target is required to contribute a percentage of its payroll costs to the central pension scheme. No share option scheme or other share award scheme had been adopted during the Track Record Period.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this Circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property to be acquired by the Group in the PRC as at 30 June 2019.

CUSHMAN & WAKEFIELD
戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

30 September 2019

The Directors
Chen Xing Development Holdings Limited
18 Anning Street
Yuci District
Jinzhong City
Shanxi Province
the PRC

Instructions, Purpose & Valuation Date

We refer to the instruction of Chen Xing Development Holdings Limited (the "Company") for Cushman & Wakefield Limited ("C&W") to prepare a market valuation of a target property in the People's Republic of China (the "PRC") whereby the Company and/or its subsidiaries (together referred to as the "Group") intends to acquire the entire equity interests of the holding company (the "Target Company") of the target property. 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 the Company with our opinion of the values of the property as at 30 June 2019 (the valuation date).

Valuation Basis

Our valuation of the property represents its market value which in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors 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".

We confirm that the valuation is undertaken in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by the Stock Exchange of the Hong Kong Limited.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Our valuation of the property is on an entirety interest basis.

Valuation Assumptions

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the property, we have relied on the information and advice given by the Company's legal adviser, Shanxi Dingzheng Law Office, regarding the titles to the property and the interests of the Target Company in the property in the PRC. Unless otherwise stated in the legal opinion, in valuing the property, we have assumed that the Target Company has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the property nor 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 any onerous nature which could affect its value.

Method of Valuation

We have valued the property on the basis that the property will be developed and completed in accordance with the latest development proposal provided to us by the Group. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning and other relevant regulations and have been approved by the relevant authorities. In arriving at our valuation, we have adopted Direct Comparison Method by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the development. The development value as if completed represents our opinion of the aggregate values of the development assuming it had been completed at the valuation date.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Company and its legal adviser, Shanxi Dingzheng Law Office regarding the title to the property and the interests of the Target Company in the property. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, tenancy details, site and floor areas, site and floor plans, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

Title Investigation

We have been provided with copies of the title documents relating to the property but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the property.

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and its legal adviser, Shanxi Dingzheng Law Office, in respect of the title to the property in the PRC.

Site Inspection

Ms. Ashley Wang of our Shenzhen Office who is a Registered China Real Estate Appraiser; and Ms. Jane Wang of our Kunming Office who is a valuer with 2 years of experience, inspected the exterior and, where possible, the interior of the property on 28 February 2019 and 21 September 2019 respectively. We have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the property is free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuation is prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

Currency Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("RMB"), the official currency of the PRC.

Confirmation of Independence We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

Intended Use and User of Report This valuation report is issued for the use of the Company for the purpose of inclusion into the circular only.

We enclose herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Andrew K. F. Chan
MSc, MRICS, FHKIS, MCIREA, RPS(GP)
Managing Director
Valuation & Advisory Services,
Greater China

Note: Andrew K.F. Chan is a member of the Royal Institution of Chartered Surveyors, a Fellow Member of the Hong Kong Institute of Surveyor, a Registered Professional Surveyor (General Practice) and a Registered China Real Estate Appraiser. Mr. Chan has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Mr. Chan has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property under development to be acquired by the Group in the PRC

Property	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 30 June 2019**
The property under construction known as Shouchuang International Healthy City, Yulin Road, Xishuangbanna Tourism Holiday Zone 2, Xishuangbanna Dai Autonomous Prefecture, Yunnan Province, the PRC	The property comprises a composite development to be erected on 3 parcels of land with a total site area of 223,837.30 sq m. The property is planned to be developed into 3 phases. Upon completion, the property will comprise a composite development with a total approximate planned gross floor area of 335,256 sq m.	As at the valuation date, site leveling works were in progress. Certain low-rise buildings were being constructed on the phase 1 portion of the development. The entire development is scheduled to be completed by December 2022.	RMB740,000,000 (RENMINBI SEVEN HUNDRED FORTY MILLION)

Planned use	**Approximate Planned Gross Floor Area (sq m)**
Phase 1	
Residential	5,354
Commercial	11,561
Sub total	16,915
Phase 2	
Residential	80,790
Commercial	18,071
Ancillary	1,224
Sub total	100,085
Phase 3	
Residential	218,256
Sub total	218,256
Total:	335,256

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2019
(cont'd)	The property is located in the urban area of Xishuangbanna. Developments nearby are mainly residential and commercial in nature. According to the information provided by the Group, the property is for residential and commercial uses. The land use rights of the property have been granted for terms due to expire on 31 December 2083 and 1 April 2083 respectively for residential use and due to expire on 1 April 2053 for commercial use.	—	—

Notes:

(1) According to 3 State-owned Land Use Rights Certificates Nos. (2014) 02, 03 and 04 issued by the Xishuangbanna Land Resources Bureau (西雙版納州國土資源局), the land use rights of the property with a total site area of 223,837.3 sq m have been vested in Xishuangbanna Jingyuan Investment Development Co., Ltd. (西雙版納景緣投資開發有限公司).

(2) According to 3 Grant Contracts of State-owned Land Use Rights and their Supplementary Agreement of Grant Contracts of State-owned Land Use Rights entered into between the Xishuangbanna Land Resources Bureau, Tourism Branch Bureau (西雙版納州國土資源局旅遊度假區分局) ("Party A") and 西雙版納昊緣旅遊發展有限公司 ("Party B"), the land use rights of the property have been contracted to be granted to Party B with key details as follows:

Contract No.	Issue Date	Land Use	Land Use Term	Permissible Gross Floor Area (sq m)	Building Covenant (for completion)	Land Premium (RMB)
CR(XL) 2013001	23 April 2013	Residential	70 years	43,570	Construction shall commence on or before 18 June 2013 and complete on or before 18 June 2015	13,710,400
CR(XL) 2013001	23 April 2013	Accommodation and catering	40 years	37,500	Construction shall commence on or before 18 June 2013 and complete on or before 18 June 2015	17,535,500
(2013) 01 532801107037 GB00002	31 December 2013	Residential	70 years	—	—	171,815

As advised by the Company, the land user of the property has been changed from 西雙版納昊緣旅遊發展有限公司 to Xishuangbanna Jingyuan Investment Development Co., Ltd. (西雙版納景緣投資開發有限公司).

(3) According to Planning Permit for Construction Works No. 532801-2015110111 issued by the Xishuangbanna Tourism Report Management Committee (西雙版納旅遊度假區管理委員會) on 11 November 2015, the construction works of the property are in compliance with the construction works requirements and have been approved.

(4) According to Permit for Commencement of Construction Works No. 5328022015123001010110 issued by the Xishuangbanna Tourism Report Management Committee (西雙版納旅遊度假區管理委員會), the construction works of portions of the property with a total gross floor area of approximately 16,914.6 sq m are in compliance with the requirements for the works commencement and have been permitted by the relevant authorities.

(5) According to Business Licence No. 91532800077616188N, Xishuangbanna Jingyuan Investment Development Co., Ltd. (西雙版納景緣投資開發有限公司) was established on 9 September 2013 with a registered capital of RMB290,314,400.

(6) The development value of the property as if completed as at 30 June 2019 was RMB3,550,000,000.

(7) According to the information provided by the Group, the estimated total construction cost as at 30 June 2019 was RMB1,450,000,000. The estimated construction cost incurred was RMB133,300,000. In the course of our valuation, we have taken such costs into account.

(8) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(a) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC laws;

(b) According to the Grant Contracts of State-owned Land Use Rights, the construction works on the land have to commence on or before 18 June 2013 and complete on or before 18 June 2015. Commencement date and/or completion date for construction works stated in the building covenant for the property have lapsed and the construction works have not been completed as at the valuation date. There is no additional building covenant attached to the Grant Contracts of State-owned Land Use Rights. Pursuant to the Measures on Disposal of Idle Land (閒置土地處置辦法), the land may be treated as idle land and subject to the risk of idle land penalty or forfeiture. The aforesaid Grant Contracts of State-owned Land Use Rights are valid. Xishuangbanna Jingyuan Investment Development Co., Ltd has also discussed with the deputy director of the Division of Travel and Tourism, Xishuangbanna Branch of Land and Resources* (西雙版納州國土資源局旅遊度假區分局) in this regard. As advised by Xishuangbanna Jingyuan Investment Development Co., Ltd, no action will be taken by the Xishuangbanna Branch of Land and Resources Bureau* (西雙版納州國土資源局) in relation to the delay in commencement of construction. The Division of Travel and Tourism, Xishuangbanna Branch of Land and Resources is a competent government authority regarding this matter.

(c) Xishuangbanna Jingyuan Investment Development Co., Ltd. (西雙版納景緣投資開發有限公司) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property; and

(d) Xishuangbanna Jingyuan Investment Development Co., Ltd. (西雙版納景緣投資開發有限公司) has the rights to freely lease, transfer, mortgage and dispose of the land use rights of the property.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or the chief executive of our Company or their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (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 interests and short positions which he/she is taken or deemed to have under such provisions of the SFO); (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 for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Long Position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Bai Xuankui *(Note 1)*	Settlor of a discretionary trust	346,944,000	57.82%
Mr. Bai Wukui *(Note 2)*	Interest of a controlled corporation	64,944,000	10.82%
Mr. Bai Guohua *(Note 3)*	Beneficiary of a discretionary trust	346,944,000	57.82%
Mr. Dong Shiguang *(Note 4)*	Interest of a controlled corporation	10,827,740	1.80%

Notes:

1. Such shares were held by White Dynasty BVI in the capacity of a legal beneficial owner, which was a corporate controlling shareholder of the Company, and White Dynasty BVI was owned by White Empire (PTC) Limited ("**White Empire BVI**") in the capacity of a legal beneficial owner. White Empire BVI was the trustee of the family trust established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian (the spouse of Mr. Bai Xuankui), and other beneficiaries to be nominated by the trustee from time to time. Since Mr. Bai Xuankui was the settlor of the family trust, Mr. Bai Xuankui was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

2. The shares were held by White Legend Global Holdings Limited ("**White Legend BVI**") in the capacity of a legal beneficial owner. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui held the entire issued share capital of White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

3. The shares were held by White Dynasty BVI in the capacity of a legal beneficial owner. Since (i) Mr. Bai Guohua was a beneficiary of the family trust; and (ii) Mr. Bai Guohua was a person acting in accordance with the instructions from Mr. Bai, the settlor of the family trust, at all times, hence Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

4. The shares were held by Honesty Priority Global Holdings Limited ("**Honesty Priority BVI**") in the capacity of a legal beneficial owner. Since Mr. Dong Shiguang owned 34.87% shares in Honesty Priority BVI, Mr. Dong Shiguang was deemed to be interested in the shares held by Honesty Priority BVI under the SFO.

Long Position in the shares of associated corporations of the Company

Name of Director/ chief executive	Name of associated corporation	Capacity/Nature of interest	Number of shares held	Percentage of shareholding in the associated corporation
Mr. Bai Xuankui	White Dynasty BVI *(Note 1)*	Settlor of a discretionary trust	10,000	100%
Mr. Bai Xuankui	White Empire BVI *(Note 1)*	Settlor of a discretionary trust		100%
Mr. Bai Guohua	White Dynasty BVI *(Note 1)*	Beneficiary of a discretionary trust	10,000	100%
Mr. Bai Guohua	White Empire BVI *(Note 1)*	Beneficiary of a discretionary trust		100%

Note:

1. White Dynasty BVI was a corporate controlling shareholder of the Company and was wholly-owned by White Empire BVI in the capacity of a legal beneficial owner. White Empire BVI was a company limited by guarantee incorporated in the British Virgin Islands and the trustee of the family trust which was held for the benefits of Mr. Bai Guohua, Ms. Cheng Guilian and other beneficiaries to be nominated by the trustee from time to time, and Mr. Bai Xuankui was the settlor of the family trust.

(b) Substantial Shareholders' interests and other persons' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, save as disclosed in this circular, so far as was known to the Directors, persons other than a Director or chief executives of the Company who had, or were deemed to have, interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

Long Position in Shares and underlying Shares

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
White Dynasty BVI *(Note 1)*	Beneficial owner	346,944,000	57.82%
White Empire BVI *(Note 1)*	Interest of a controlled corporation	346,944,000	57.82%
White Legend BVI *(Note 2)*	Beneficial owner	64,944,000	10.82%
Ms. Cheng Guilian *(Note 3)*	Beneficiary of a discretionary trust	346,944,000	57.82%
Ms. Zhang Lindi *(Note 4)*	Interest of spouse	346,944,000	57.82%
Ms. Gan Xuelin *(Note 5)*	Interest of spouse	64,944,000	10.82%

Notes:

1. White Dynasty BVI was wholly-owned by White Empire BVI, hence White Empire BVI was deemed to be interested in the shares owned by White Dynasty BVI under the SFO. White Empire BVI was the trustee for the family trust established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian and other beneficiaries to be nominated by the trustee from time to time. Mr. Bai Xuankui was the settlor of the family trust.

2. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui had a controlling interest in White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

3. Ms. Cheng Guilian was the wife of Mr. Bai Xuankui. Since Ms. Cheng Guilian was a beneficiary of the family trust, she was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

4. Ms. Zhang Lindi was the wife of Mr. Bai Guohua. Since Mr. Bai Guohua was a beneficiary of the family trust, Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO, therefore, Ms. Zhang Lindi was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. Ms. Gan Xuelin was the wife of Mr. Bai Wukui. Since Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO, therefore, Ms. Gan Xuelin was deemed to be interested in the shares held by White Legend BVI.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the 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.

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no persons other than a Director or chief executives of the Company who had, or were deemed to have, interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which would not expire or would not be determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. OTHER INTERESTS OF THE DIRECTORS

Save as disclosed in this circular, as at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2018, being the date of the latest published audited accounts of the Group, up to the Latest Practicable Date, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

6. LITIGATION

Save as disclosed in the section headed "Litigation between the Purchaser and the 49% Vendor" in this circular, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims of material importance to the Group and no litigation, arbitration or claims of material importance to the Group was known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL ADVERSE CHANGE

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

8. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried by the Group) had been entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

(a) the underwriting agreement dated 11 January 2019 entered into between the Company and SSIF Securities Limited in relation to the underwriting and certain other arrangements in respect of a rights issue whose details are set out in the prospectus of the Company dated 13 February 2019;

(b) the equity transfer agreement dated 4 January 2019 and entered into between Chenxing Real Estate as the purchaser, and Beijing Sunshine Real Estate Comprehensive Development Co., Ltd. (北京陽光房地產綜合開發有限公司) as the vendor, for the sale and purchase of 51% equity interest in Xishuangbanna Jingyuan Investment Development Co., Ltd. (西雙版納景緣投資開發有限公司) ("**Jingyuan**") at an aggregate consideration of approximately RMB393.56 million;

(c) the loan agreement dated 2 January 2019 and entered into between Chenxing Real Estate as the lender, and Xishuangbanna Yunchen Real Estate Co., Ltd (西雙版納雲辰置業有限公司), a joint venture company owned as to 49% by Chenxing Real Estate, as the borrower, pursuant to which Chenxing agreed to provide the borrower a loan in an amount of RMB102.6 million;

(d) a supplemental agreement dated 12 December 2018 and entered into between Chenxing Real Estate as the purchaser and Xishuangbanna Haoyuan Tourism Development Co., Ltd. (西雙版納昊緣旅遊發展有限公司) ("**Haoyuan**") as the vendor in relation to (e) below;

(e) the equity transfer agreement dated 12 December 2018 and entered into between Chenxing Real Estate as the purchaser and Haoyuan as the vendor, for the sale and purchase of 49% equity interest in Jingyuan at an aggregate consideration of approximately RMB224.9 million; and

(f) the equity transfer agreement dated 29 June 2018 and entered into between Shanxi Chenxing Zhicheng Construction Engineering Co., Ltd. (山西辰興致誠建築工程有限公司), an indirect wholly-owned subsidiary of the Company, as the purchaser, and Shanxi Luhai Road Bridge Municipal Engineering Co., Ltd. (山西陸海路橋市政工程有限公司), as the vendor, for the sale and purchase of 80% equity interest in Shaanxi Chang Xing Zhicheng Construction Engineering Co., Ltd. (山西昌興致誠建築工程有限公司) at a consideration of RMB40.0 million.

9. EXPERT'S QUALIFICATION AND CONSENT

(a) Qualification of expert

The following are the qualifications of the expert whose name, opinions and/or reports are contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Cushman & Wakefield	Professional Surveyors & Valuers
Shanxi Dingzheng Law Office	Qualified PRC Lawyers

(b) Consent of expert

Ernst & Young, Cushman & Wakefield and Shanxi Dingzheng Law Office have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their report and references thereto and to their name in the form and context in which they are included.

(c) Interests of expert

As at the Latest Practicable Date, Ernst & Young, Cushman & Wakefield and Shanxi Dingzheng Law Office did not have any direct or indirect interest in any securities of any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did they had any direct or indirect interest in any assets which had been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

10. GENERAL

Registered office:	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111, Cayman Islands
Head office and principal place of business in the PRC:	18 Anning Street Yuci District Jinzhong City Shanxi Province The PRC
Principal place of business in Hong Kong:	40th Floor, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong

Principal share registrar:	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111, Cayman Islands
Hong Kong branch share registrar and transfer office:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Authorised representatives:	Mr. Bai Guohua House 9, 3-2, Xin Ji Garden Xin Ji Street Yuci District, Jinzhong City Shanxi Province The PRC Ms. Ng Wing Shan 40th Floor, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Company secretary:	Ms. Ng Wing Shan (a fellowship member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries)

11. MISCELLANEOUS

This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at the offices of the Company's principal place of business in Hong Kong at 40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong from the date of this circular up to and including the date which is 14 days from the date of this circular:

(1) the memorandum and articles of association of the Company;

(2) annual reports of the Group for the financial years ended 31 December 2017 and 2018;

(3) the interim report of the Company for the six months ended 30 June 2019;

(4) the accountants' report of the Target Company from Ernst & Young, the text of which is set out in Appendix II to this circular

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

(6) the property valuation report prepared by Cushman & Wakefield, the text of which is set out in Appendix V to this circular;

(7) the material contracts referred to in the section headed "8. Material contracts" in this appendix;

(8) the written consent referred to in the paragraph headed "9. Expert's qualification and consents" in this appendix; and

(9) This circular.

Chen Xing Development Holdings Limited
辰 興 發 展 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2286)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Chen Xing Development Holdings Limited (the "**Company**") will be held at Conference Room, 6th Floor, Chen Xing Tower, 131 West Yingbin Street, Yuci District, Jinzhong City, Shanxi Province, the People's Republic of China on Wednesday, 23 October 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

1. To consider and approve the 49% Equity Transfer Agreement and the transactions contemplated thereunder.

2. To authorize any one of the directors of the Company to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to or in connection with resolution no. 1.

3. To consider and approve the 51% Equity Transfer Agreement and the transactions contemplated thereunder.

4. To authorize any one of the directors of the Company to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to or in connection with resolution no. 3.

By order of the board of the directors
Chen Xing Development Holdings Limited
Bai Xuankui
Chairman

Shanxi, the PRC, 30 September 2019

Notes:

(i) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.

(ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

(iii) In order to be valid, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof (i.e. by Monday, 21 October 2019, 10:00 a.m.). The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(iv) The transfer books and register of members will be closed from Friday, 18 October 2019 to Wednesday, 23 October 2019, both days inclusive to determine the entitlement of the shareholders to attend and vote at the above meeting, during which period no share transfers can be registered. All share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 10:00 a.m. on Friday, 18 October 2019.

As at the date of this announcement, the executive directors of the Company are Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua and Mr. Dong Shiguang and the independent non-executive directors of the Company are Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing.