**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in Yincheng International Holding Co., Ltd., you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



# Yincheng International Holding Co., Ltd.
# 銀城國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1902)**

# MAJOR TRANSACTION
# ACQUISITION OF DISTRESSED COMPANIES
# AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board containing details of the Acquisition is set out on pages 10 to 25 of the circular.

A notice convening the EGM of Yincheng International Holding Co., Ltd. to be held at the headquarter and principal place of business of the Company at 21st Floor, Block A Yincheng Plaza, 289 Jiangdongbeilu, Nanjing, the People's Republic of China on Monday, 20 April 2020 at 2:30 p.m. is set out on pages Notice of EGM-1 to Notice of EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.yincheng.hk).

Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar 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 of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

27 March 2020

# CONTENTS

*In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:*

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| "Accountants' Report" | the accountants' report issued by Ernst & Young, certified public accountant and the reporting accountants of the Company dated 27 March 2020 in relation to Wonderland Hotel Company, the text of which is set out in Appendix II to this circular |
| "Acquisition" | the acquisition of 100% equity interests in the 19 Distressed Companies at the Total Investment Amount of RMB2,530 million as contemplated under the Restructuring Investment Agreement and the Cooperation Agreement |
| "Administrator" | Administrator of Zhongdu Holdings Group Company Limited* (中都控股集團有限公司管理人), comprising three law firms and one accounting firm in the PRC, being the administrator of bankruptcy restructuring of the 19 Distressed Companies as approved by the Yuhang Court |
| "Announcement" | announcement of the Company dated 11 July 2019 in relation to the Acquisition of Distressed Companies and the Disposal of the 17 Non-Target Companies |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Bidding Deposit" | the bidding deposit of RMB500 million paid by Nanjing Yinjiayuan to the Administrator on 14 May 2019 when Nanjing Yinjiayuan and Lin'an Yixiang jointly submitted the bid for the acquisition of the 19 Distressed Companies in connection with the Restructuring Plan to the Administrator |
| "Business Day(s)" | any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business |
| "Board" | the board of Directors |
| "close associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Company" | Yincheng International Holding Co., Ltd. (銀城國際控股有限公司), a company incorporated under the laws of Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1902) |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |

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| "Cooperation Agreement" | the Cooperation Agreement (合作協議書) dated 13 May 2019 entered into among Nanjing Yinjiayuan and Lin'an Yixiang to agree on the cooperation between the parties towards implementing the acquisition by Nanjing Yinjiayuan and disposal of the remaining 17 Non-Target Companies by Lin'an Yixiang |
| "Court Approval Date" | 8 July 2019, being the date of the award issued by the Yuhang Court whereby the Restructuring Plan was formally approved by the Yuhang Court |
| "Court Award" | the civil judgment granted by the Yuhang Court dated 8 July 2019 approving the Restructuring Plan |
| "Director(s)" | the director(s) of the Company |
| "Disposal" | the disposal of the 17 Non-Target Companies to Lin'an Yixiang by Nanjing Yinjiayuan at the Disposal Consideration as contemplated under the Cooperation Agreement |
| "Disposal Consideration" | RMB100 million, being the aggregate consideration payable by Lin'an Yixiang to the Administrator (or other third parties) for its acquiring of the 17 Non-Target Companies pursuant to the Cooperation Agreement and the Restructuring Investment Agreement |
| "Distressed Assets" | 100% equity interests in the 19 Distressed Companies together with the land use rights, buildings and fixtures, ancillary construction works, green areas, vehicles, jewelry and receivables that had been confirmed and agreed between the Administrator and the Restructuring Investors as set out in the Restructuring Plan |

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| "Distressed Companies" | a total of 19 companies, namely, Hangzhou Chuanyuan Trading, Hangzhou Fushente Trading, Hangzhou Guida Technology, Hangzhou Junian Trading, Hangzhou Heqing Investment, Hangzhou Nuoneng Trading, Hangzhou Nuowei Landscape Engineering, Hangzhou Zhongdu Properties Consulting, Hangzhou Zhongdu Shopping Center, Hangzhou Tongwan Asset Management, Hangzhou Zhongdu Department Store, Hangzhou Zhongdu Investment, Wonderland Hotel Company, Hangzhou Zhongyue Business Hotel, Zhejiang Lin'an Zhongdu Properties, Zhejiang Zhongdu Department Store, Zhejiang Zhongdu Pawn Shop, Zhejiang Zhongdu Property Development and Zhongdu Holdings, in respect of which an administrator of bankruptcy reorganization was appointed by the Hangzhou City Yuhang District People's Court |
| "EGM" | the extraordinary general meeting of the Company to be held to consider, and if thought fit, approve the Acquisition |
| "Enlarged Group" | the Group including the Target Companies |
| "Group" | the Company and its subsidiaries |
| "Hangzhou Chuanyuan Trading" | Hangzhou Chuanyuan Trading Company Limited* (杭州川源貿易有限公司), a company established on 13 August 2009 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB5 million, its principal activities were wholesale and retail business of home appliances, daily necessities, etc. as at the Latest Practicable Date |
| "Hangzhou Fushente Trading" | Hangzhou Fushente Trading Company Limited* (杭州富紳特貿易有限公司), a company established on 21 February 2006 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB30 million, its principal business included sale of construction materials, equipment and machinery, metal materials, electrical machinery, chemical raw materials, etc. as at the Latest Practicable Date |

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| "Hangzhou Guida Technology" | Hangzhou Guida Technology Company Limited* (杭州貴達科技有限公司), a company established on 16 January 2014 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB5 million, its principal business included development of computer software and telecommunications technology, wholesale and retail sale of computer software and hardware and telecommunications equipment as at the Latest Practicable Date |
| "Hangzhou Junian Trading" | Hangzhou Junian Trading Company Limited* (杭州聚年貿易有限公司), a company established on 22 February 2013 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB20 million, its principal business included sale of gold and silver accessories, construction materials, glass products, decoration materials, machinery equipment, chemical engineering raw materials, etc. as at the Latest Practicable Date |
| "Hangzhou Heqing Investment" | Hangzhou Heqing Investment Company Limited* (杭州和慶投資有限公司), a company established on 9 June 2014 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB5 million, its principal business included industrial investment, provision of corporate mergers and acquisitions and planning, investment consultancy services as at the Latest Practicable Date |
| "Hangzhou Nuoneng Trading" | Hangzhou Nuoneng Trading Company Limited* (杭州諾能貿易有限公司), a company established on 5 July 2011 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB5 million, its principal business included wholesale and retail of metals and construction materials as at the Latest Practicable Date |
| "Hangzhou Nuowei Landscape Engineering" | Hangzhou Nuowei Landscape Engineering Company Limited* (杭州諾維園林市政工程有限公司), a company established on 16 August 2007 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB5 million its principal business activities included landscaping and planting services and municipal engineering construction as at the Latest Practicable Date |

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| "Hangzhou Tongwan Asset Management" | Hangzhou Tongwan Asset Management Company Limited* (杭州同萬資產管理有限公司), a company established on 7 January 2014 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB50 million, its principal business included provision of asset management, acquisitions and disposals, asset restructuring, mergers and acquisitions, investment management and consultancy, corporate management consultancy and financial management consultancy services as at the Latest Practicable Date |
| "Hangzhou Zhongdu Department Store" | Hangzhou Zhongdu Department Store Company Limited* (杭州中都百貨有限公司), a company established on 16 October 2008 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB140 million, its principal business included wholesale and retail of a variety of goods, business management consulting services, industrial development as at the Latest Practicable Date |
| "Hangzhou Zhongdu Investment" | Hangzhou Zhongdu Investment Company Limited* (杭州中都投資有限公司), a company established on 13 June 2006 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB50 million, its principal business was industrial investment, provision of corporate mergers and acquisitions and planning, investment consultancy services as at the Latest Practicable Date |
| "Hangzhou Zhongdu Properties Consulting" | Hangzhou Zhongdu Properties Consulting Chain Company Limited* (杭州中都置業諮詢連鎖有限公司), a company established on 6 February 2004 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB5 million, its principal business included real estate agency services as at the Latest Practicable Date |
| "Hangzhou Zhongdu Shopping Center" | Hangzhou Zhongdu Shopping Center Company Limited* (杭州中都購物中心有限公司), a company established on 21 November 2001 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB35 million, its principal business included retail, sale of tobacco products, photography services, leasing of properties, and design and production of domestic advertisements |

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| "Hangzhou Zhongyue Business Hotel" | Hangzhou Zhongyue Business Hotel Company Limited* (杭州中悦商務酒店有限公司), a company established on 24 August 2011 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB10 million, its principal business was provision of accommodation as at the Latest Practicable Date |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "Independent Third Party" | an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates |
| "Latest Practicable Date" | 23 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| "Lin'an Yixiang" | Lin'an Yixiang Property Development Company Limited* (臨安屹翔房地產開發有限公司), a company established in the PRC with limited liability, being a party to the Cooperation Agreement and the Restructuring Investment Agreement and an Independent Third Party |
| "Lin'an Zhongdu Land" | the land parcels located in Jincheng Street Yu Village and Nishanwan Village, Lin'an District, Hangzhou City, Zhejiang Proving (浙江省臨安市錦城街道余村、泥山灣村) with details set out in the paragraph headed "Information on the Target Land and Properties" in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange as may be amended, supplemented and modified from time to time |
| "Nanjing Yinjiayuan" | Nanjing Yinjiayuan Enterprise Management Co., Ltd.* (南京銀嘉淵企業管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| "Net Acquisition Consideration" | RMB2,430 million, being the net amount payable by Nanijng Yinjiayuan to the Administrator as contemplated under the Target Acquisition after deducting the Disposal Consideration from the Total investment Amount |
| "Non-Target Companies" | the remaining 17 Distressed Companies excluding the two Target Companies |

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| "PRC" | the People's Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "Property Valuation Report" | the valuation report in relation to the valuation of the Target Land and Properties as at 31 December 2019 and issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, dated 27 March 2020 |
| "Prospectus" | the prospectus issued by the Company dated 22 February 2019 |
| "Reporting Period" | the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 |
| "Restructuring" | the restructuring of the Distressed Companies through the restructuring of their indebtedness, assets and ownership pursuant to the order of the Yuhang Court dated 3 November 2017 |
| "Restructuring Investment Agreement" | the Restructuring Investment Agreement (投資重整協議) dated 16 May 2019 entered into between Nanjing Yinjiayuan and Lin'an Yixiang as the Restructuring Investors and the Administrator in respect of the acquisition of the 19 Distressed Companies by the Restructuring Investors as part of the restructuring of the 19 Distressed Companies which have been adjudicated bankrupt by the Yuhang Court |
| "Restructuring Investors" | Nanjing Yinjiayuan and Lin'an Yixiang, being the restructuring investors under the Restructuring Investment Agreement |
| "Restructuring Plan" | the plan for implementation of the Restructuring prepared by the Administrator, as approved by the Yuhang Court |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong |
| "Share(s)" | ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of Share(s) |
| "sq.m." | square metre(s) |

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| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed to it under the Listing Rules |
| "substantial shareholder" | has the meaning ascribed to it under the Listing Rules |
| "Target Acquisition" | the acquisition of 100% equity interests in the two Target Companies by Nanjing Yinjiayuan at the consideration of RMB2,430 million, being the net effect of the Acquisition of the two Target Companies after deducting the Disposal |
| "Target Companies" | Wonderland Hotel Company and Zhejiang Lin'an Zhongdu Properties |
| "Target Land and Properties" | the Lin'an Zhongdu Land and the Wonderland Hotel Land and the buildings thereon owned by the Target Companies (including the Hangzhou Zhongdu Qingshan Wonderland Hotel) with details set out in the paragraph headed "Information on the Target Land and Properties" in this circular |
| "Total Investment Amount" | RMB2,530 million, being the aggregate consideration payable by the Restructuring Investors for the acquisition of the 19 Distressed Companies under the Restructuring Investment Agreement |
| "Transactions" | the Acquisition and the Disposal and the transactions contemplated thereunder |
| "Wonderland Hotel Company" | Hangzhou Zhongdu Qingshan Wonderland Hotel Company Limited* (杭州中都青山湖畔大酒店有限公司), a company established on 13 January 2006 in the PRC with limited liability, being one of the Distressed Companies and one of the Target Companies, with a registered capital of RMB50 million, and its principal business being operation of hotel business and related entertainment amenities, including swimming pool, sauna, large-scale restaurant, etc. |
| "Wonderland Hotel Land" | a land parcel situated at No.88 Shengyuan Road, Jincheng Street, Lin'an District, Zhejiang Province, the PRC on which the Hangzhou Zhongdu Qingshan Wonderland Hotel is situated and operated by the Wonderland Hotel Company with details set out in the paragraph headed "Information on the Target Land and Properties" in this circular |
| "Yuhang Court" | Hangzhou City Yuhang District People's Court (杭州市余杭區人民法院) |

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| "Zhejiang Lin'an Zhongdu Properties" | Zhejiang Lin'an Zhongdu Properties Limited* (浙江臨安中都置業有限公司), a company established on 29 April 2003 in the PRC with limited liability, being one of the Distressed Companies and one of the Target Companies, with a registered capital of RMB50 million and was co-established by Zhejiang Zhongdu Property Development, Zhongdu Holdings and two other Independent Third Parties and its principal business being property development |
| "Zhejiang Zhongdu Department Store" | Zhejiang Zhongdu Department Store Company Limited* (浙江中都百貨有限公司), a company established on 6 May 2008 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB40 million and its principal business being retail, property development, photography services, business management consulting services, and leasing of properties |
| "Zhejiang Zhongdu Pawn Shop" | Zhejiang Zhongdu Pawn Shop Company Limited* (浙江中都典當有限責任公司), a company established on 24 October 2005 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB20 million and its principal business being mortgage and pawn business |
| "Zhejiang Zhongdu Property Development" | Zhejiang Zhongdu Property Development Group Company Limited* (浙江中都房地產集團有限公司), a company established on 9 April 1998 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB150 million and its principal business being property development and operations |
| "Zhongdu Holdings" | Zhongdu Holdings Group Company Limited* (中都控股集團有限公司), a company established on 6 August 2002 in the PRC with limited liability, being one of the Distressed Companies, with a registered capital of RMB150 million and its principal business being industrial investment |
| "%" | per cent. |

* *For identification purposes only*

*In this circular, the English names of the PRC entities or enterprises are translations of their Chinese names. In the event of any inconsistency, the Chinese names shall prevail.*

**Yincheng International Holding Co., Ltd.**
**銀城國際控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1902)**

*Non-executive Directors:*
Huang Qingping *(Chairman)*
Xie Chenguang

*Executive Directors:*
Ma Baohua
Zhu Li
Wang Zheng
Shao Lei

*Independent Non-Executive Directors:*
Chen Shimin
Chan Peng Kuan
Lam Ming Fai

*Registered office:*
Sertus Chambers
Governors Square, Suite #5-204
23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman KY1-1104
Cayman Islands

*Principal place of business in Hong Kong:*
Room 4502, 45/F
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

27 March 2020

*To the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION

## ACQUISITION OF DISTRESSED COMPANIES

### INTRODUCTION

References are made to the announcements of the Company dated 11 July 2019, 2 August 2019, 24 December 2019 and 8 January 2020 in relation to, among other things, the Transactions.

The purpose of this circular is to provide you with, among other things, (i) details of the Transactions; (ii) financial information of Wonderland Hotel Company; (iii) financial information of the Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) management discussion and analysis of the Target Companies; and (vi) the Property Valuation Report and other information as required under the Listing Rules.

## THE ACQUISITION

On 13 May 2019, Nanjing Yinjiayuan and Lin'an Yixiang entered into the Cooperation Agreement whereby both parties agreed to cooperate in the bidding of the 19 Distressed Companies with a view that Nanjing Yinjiayuan would eventually acquire the two Target Companies and Lin'an Yixiang would eventually acquire the 17 Non-Target Companies through Nanjing Yinjiayuan in the event that Nanjing Yinjiayuan successfully became the restructuring investor of the 19 Distressed Companies. Pursuant to the Cooperation Agreement, Nanjing Yinjiayuan conditionally agreed that, on the condition that Nanjing Yinjiayuan successfully became the restructuring investor of the Distressed Companies, it would dispose to Lin'an Yixiang the entire equity interests and the related Distressed Assets of the 17 Non-Target Companies at an aggregate consideration of RMB100 million which shall be payable by Lin'an Yixiang directly to a bank account designed by the Administrator. As a result of the aforesaid arrangements, the Group will in effect acquire the two Target Companies at the Net Acquisition Consideration of RMB2,430 million.

On 14 May 2019, Nanjing Yinjiayuan and Lin'an Yixiang jointly submitted the bid for the acquisition of the 19 Distressed Companies in connection with the Restructuring Plan and Nanjing Yinjiayuan paid a Bidding Deposit of RMB500 million to the Administrator. On 16 May 2019, Nanjing Yinjiayuan and Lin'an Yixiang won the bid of offering to acquire the 19 Distressed Companies according to a bidding confirmation issued by the Administrator to Nanjing Yinjiayuan and Lin'an Yixiang dated 16 May 2019. Accordingly, Nanjing Yinjiayuan and Lin'an Yixiang entered into the Restructuring Investment Agreement with the Administrator on the same date.

On 9 July 2019, the Company became aware that the Restructuring Plan for the acquisition of 19 Distressed Companies at the Total Investment Amount of RMB2,530 million pursuant to the Restructuring Investment Agreement entered into between Nanjing Yinjiayuan and Lin'an Yixiang as Restructuring Investors and the Administrator was formally approved by the Yuhang Court and on 10 July 2019, the Company received the Court Award approving the Restructuring Plan.

The principal terms of the Restructuring Investment Agreement (as supplemented by the Restructuring Plan) and the Cooperation Agreement are set out below.

**Date**

16 May 2019

**Parties:**

(1) Nanjing Yinjiayuan (as a Restructuring Investor);

(2) Lin'an Yixiang (as a Restructuring Investor); and

(3) the Administrator (comprises three law firms and an accounting firm, namely, Zhejiang Zhiren Law Office* (浙江智仁律師事務所), Beijing Dacheng (Hangzhou) Law offices* (北京大成(杭州)律師事務所)*, Beijing Dacheng (Ningbo) Law offices* (北京大成(寧波)律師事務所) and Zhejiang Zhongqing Certified Public Accountants Company Limited* (浙江中興會計師事務所有限公司)).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Lin'an Yixiang, the Administrator, the 19 Distressed Companies and their respective ultimate beneficial owners are Independent Third Parties.

**Subject matter under the Restructuring Investment Agreement**

The Restructuring Investors agreed to purchase, and the Administrator agreed to sell to the Restructuring Investors the entire equity interests of the 19 Distressed Companies at the Total Investment Amount of RMB2,530 million, subject to a restructuring plan to be prepared by the Administrator in relation to the Restructuring having been approved by the creditors of the 19 Distressed Companies and the Yuhang Court. On 10 July 2019, the Company received the Court Award whereby the Restructuring Plan was formally approved by the Yuhang Court on 8 July 2019 and the Company also noted that the Restructuring Plan was approved by the creditors of the 19 Distressed Companies.

Principal terms the Restructuring Investment Agreement include, among others:

(i) the Restructuring Investors shall have joint and several obligations to pay an aggregate of RMB2,530 million being the Total Investment Amount as consideration for acquiring 100% equity interest in each of the 19 Distressed Companies in accordance with the following manner and schedule:

(a) RMB500 million being the Bidding Deposit by way of transfer to the designated bank account of the Administrator, being the bidding deposit by 14 May 2019, which shall be fully applied to the Total Investment Amount on the Court Approval Date;

(b) within 90 days after the Court Approval Date, the Restructuring Investors shall pay RMB1,000 million (the "**Second Instalment**") by transfer to the designated bank account of the Administrator, being the second instalment of the Total Investment Amount;

(c) within 180 days after the Court Approval Date, the Restructuring Investors shall pay the balance of the Total Investment Amount, i.e., RMB1,030 million (the "**Third Instalment**") by transfer to the designated bank account of the Administrator, being the balance of the Total Investment Amount.

(ii) within 10 business days (excluding the time necessary for the relevant authority to process the transfer) after the Second Instalment has been paid by the Restructuring Investors, the Administrator shall procure the transfer of the 100% equity interest of Zhejiang Lin'an Zhongdu Properties, being one of the Target Companies, to the

Restructuring Investors (or their designated nominee) together with all the rights to manage the assets of Zhejiang Lin'an Zhongdu Properties (the "**First Closing Date**");

(iii) after the payment of the Second Instalment by the Restructuring Investors, the Restructuring Investors have the option to settle part of the Third Instalment by first paying a further sum of RMB350 million, and in such case the Administrator shall within 10 business days (excluding the time necessary for the relevant authority to process the transfer) of such payment procure the transfer of the 100% equity interest of Wonderland Hotel Company, being one of the Target Companies, to the Restructuring Investors (or their designated nominee) together with all the rights to manage the assets of Wonderland Hotel Company (the "**Second Closing Date**");

(iv) after all the remaining amount (i.e., RMB680 million, after deducting the RMB350 million mentioned above from the Third Instalment) of the Third Instalment has been paid by the Restructuring Investors, the Administrator shall within 10 business days (excluding the time necessary for the relevant authority to process the transfer) of such payment procure the transfer of 100% equity interest of each of the 17 Non-Target Companies to the Restructuring Investors (or their designated nominee) together with all the rights to manage the assets of the 17 Non-Target Companies;

(v) within the supervision period of 240 days after the Court Approval Date, the Restructuring Investor which has taken up the equity interests of the two Target Companies shall not sell, mortgage, transfer or otherwise dispose of any land or buildings owned by the relevant Target Companies except in connection with obtaining financing for paying the relevant investment amount or with a written approval obtained from the Administrator;

(vi) upon completion of the equity transfer of Wonderland Hotel Company to the Restructuring Investors (or their designated nominee), the transferee shall be responsible for maintaining the continued business operation of the hotel named "Hangzhou Zhongdu Qingshan Wonderland Hotel" (杭州中都青山湖畔大酒店) (the "**Hangzhou Zhongdu Qingshan Wonderland Hotel**") by retaining the same members of staff employed by the Hangzhou Zhongdu Qingshan Wonderland Hotel immediately prior to such equity transfer. All the income generated by the Hangzhou Zhongdu Qingshan Wonderland Hotel for the period before (excluding) the Second Closing Date shall be administered by the Administrator for settlement of debts, bankruptcy fees and costs and/or public service liabilities of Hangzhou Zhongdu Qingshan Wonderland Hotel for the period before (excluding) the Second Closing Date. On the Second Closing Date, Hangzhou Zhongdu Qingshan Wonderland Hotel and its management rights shall be handed over to the transferee and starting from (including) the Second Closing Date all the income generated by Hangzhou Zhongdu Qingshan Wonderland Hotel shall belong to the transferee and shall not be utilized by the Administrator for repayment of reported debts and liabilities;

(vii) the Administrator shall within 90 days of the Court Approval use its best endeavours to procure the release of all the mortgage, pledge and guarantees imposed on the equity interests of Zhejiang Lin'an Zhongdu Properties so as to enable the equity interests to be transferred to the Restructuring Investor(s) upon completion of the same;

(viii) the Administrator shall procure for the release of all the mortgage, pledge and guarantees imposed on the equity interests of all of the 19 Distressed Companies not later than 30 days after its receipt of the full amount of the Total Investment Amount;

(ix) the creditors shall within 10 days after the Court Approval Date complete the procedures for releasing all the mortgage, pledge and encumbrances imposed on the assets owned by the 19 Distressed Companies;

(x) upon the successful implementation and completion of the Restructuring Plan, (a) all the indebtedness owed by Zhejiang Lin'an Zhongdu Properties prior to its suspension of business operation as appearing on the books of Zhejiang Lin'an Zhongdu Properties and (b) the pervious indebtedness owed by Wonderland Hotel Company incurred prior to the Restructuring of Wonderland Hotel Company of approximately RMB386 million would have been fully compromised, settled and discharged, in consideration for the Total Investment Amount already paid to the Administrator, through the arrangements contemplated under the Restructuring Plan which are the obligations of the Administrator under the Restructuring Investment Agreement and the Restructuring Plan approved by the Yuhang Court; and

(xi) in the event that the Restructuring Investors fail to pay the Total Investment Amount in accordance with the agreed schedule as mentioned above, the Restructuring Investors shall be liable to pay a penalty calculated based on 0.05% of the overdue amount accrued on a daily basis until full payment is made. However, if the due and unpaid amount has been overdue for over 15 days (or for over 45 days in respect of any amount in the Third Instalment), the Administrator shall have the right to declare all the remaining unpaid amount in the Total Investment Amount be payable by one lump sum payment. If the breach continues despite written notice from the Administrator or enforcement proceedings, the Administrator shall have the right to forfeit the Bidding Deposit as liquidated damages for the breach and the Restructuring Investment Agreement shall be deemed as rescinded and in case the damages suffered by the Administrator and creditors exceeds the Bidding Deposit, the Administrator shall have the right to sue for further compensation against the Restructuring Investors.

**THE COOPERATION AGREEMENT**

**Date**

13 May 2019

**Parties:**

(1) Nanjing Yinjiayuan; and

(2) Lin'an Yixiang.

**Subject matter under the Cooperation Agreement**

In view of Lin'an Yixiang had in its capacity as a candidate of restructuring investor participated in the submission of restructuring proposal for the acquisition of the 19 Distressed Companies held by the Yuhang Court since March 2019, Nanjing Yinjiayuan and Lin'an Yixiang agreed that, among other things, upon Lin'an Yixiang being selected as the restructuring investor by the Yuhang Court:

(i) Lin'an Yixiang shall procure Nanjing Yinjiayuan to be formally recognised as the actual investor in substitution of Lin'an Yixiang so that Nanjing Yinjiayuan would assume all the rights, interests, obligations and liabilities (including all the payment obligations) as the restructuring investor under the Restructuring Plan;

(ii) on the condition that Nanjing Yinjiayuan be formally recognised as the actual investor in substitution of Lin'an Yixiang and thereby have the right to acquire all the 19 Distressed Companies under the Restructuring Plan, Nanjing Yinjiayuan would dispose the 17 Non-Target Companies to Lin'an Yixiang at the Disposal Consideration, which shall be payable by Lin'an Yixiang to the Administrator (or other third party depending on the requirements of third party financial providing financing for the Transactions);

(iii) on completion of the equity transfer of the 17 Non-Target Companies, the parties shall procure that the equity interests of the 17 Non-Target Companies be directly transferred from the Administrator to Lin'an Yixiang (or its designated nominee); and

(iv) Lin'an Yixiang shall fully settle the Disposal Consideration in accordance with the payment schedule for settling the Third Instalment as mentioned above, i.e., within 180 days after the Court Approval Date, failing which Lin'an Yixiang would be deemed as giving up the right to acquire the 17 Non-Target Companies.

**Subject matter for the Transactions**

Pursuant to the Cooperation Agreement and the Restructuring Investment Agreement, Lin'an Yixiang agreed to acquire the entire equity interests of the 17 Non-Target Companies at the Disposal Consideration which shall be paid by Lin'an Yixiang to the Administrator in accordance with the Restructuring Investment Agreement (save as otherwise provided in the

Cooperation Agreement). Accordingly, the Net Acquisition Consideration payable by Nanjing Yinjiayuan for the purpose of acquiring the entire equity interests of the two Target Companies shall be an aggregate of RMB2,430 million, being the net amount after deducting the Disposal Consideration from the Total Investment Amount.

Two wholly-owned subsidiaries of the Company, namely Nanjing Yincheng Real Estate Co., Ltd. (南京銀城房地產開發有限公司) and Wuxi Yincheng Real Estate Co., Ltd. (無錫銀城房地產開發有限公司), have agreed to provide joint and several guarantee to the Restructuring Investors for all liabilities under any agreement signed by them in relation to the Restructuring Plan, including but not limited to the Restructuring Investment Agreement, for a term of two years from the date of completion of the Restructuring Plan.

**Assets to be acquired and disposed**

Pursuant to the Restructuring Investment Agreement, the Distressed Assets to be acquired by the Restructuring Investors include 100% equity interests in the 19 Distressed Companies together with the land use rights, buildings and fixtures, ancillary construction works, green areas, vehicles, jewelry and receivables that had been confirmed and agreed between the Administrator and the Restructuring Investors. Under the Cooperation Agreement, Nanjing Yinjiayuan agreed to transfer to Lin'an Yixiang the entire equity interests of the 17 Non-Target Companies (including the Distressed Assets in relation thereto) at the Disposal Consideration payable by Lin'an Yixiang.

Upon completion of the Acquisition, each of the two Target Companies has become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of Wonderland Hotel Company and the assets of Zhejiang Lin'an Zhongdu Properties have been consolidated into the Group's financial statements while the equity interests together with the Distressed Assets of 17 Non-Target Companies will be transferred to Lin'an Yixiang.

According to the Court Award, the entire equity interests of the 19 Distressed Companies were beneficially owned by one individual which is an Independent Third Party, who had agreed with the Yuhang Court that all his beneficial shareholding interests and shareholder's rights in the 19 Distressed Companies shall be deemed to have been waived and disclaimed totally to facilitate the Restructuring Plan.

In relation to Zhejiang Lin'an Zhongdu Properties, despite that the Group was acquiring its entire equity interest and its principal business being property development, at the time when the Cooperation Agreement and the Restructuring Investment Agreement were signed, to the best knowledge of the Company after making reasonable enquiries, save for holding the Lin'an Zhongdu Land, such company had ceased business operation and had not engaged in any property development activities nor any other business activities during the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 due to lack of funds, and it entered into the winding up proceedings in 2014 due to insolvency. Further, it is anticipated that upon the successful implementation and completion of the Restructuring Plan, all the indebtedness owed by Zhejiang Lin'an Zhongdu Properties prior to its suspension of business operation as appearing on the books of Zhejiang Lin'an Zhongdu Properties would have been fully compromised, settled and discharged, in consideration for the Total Investment Amount already paid to the Administrator, through the arrangements contemplated under the Restructuring Plan which are the obligations of the Administrator under the Restructuring Investment Agreement and the Restructuring Plan approved by the Yuhang Court.

It was the intention of the Company to acquire the Lin'an Zhongdu Land through the acquisition of 100% equity interest in Zhejiang Lin'an Zhongdu Properties. For further details, please refer to the paragraphs headed "Financial Effects of the Acquisition of the Target Companies on the Group" below in this section of the circular.

**Consideration**

The Total Investment Amount of RMB2,530 million was payable by the Restructuring Investors under the Restructuring Investment Agreement for acquisition of the entire equity interests and related Distressed Assets of the 19 Distressed Companies. The Net Acquisition Consideration of RMB2,430 million is the net amount payable by Nanjing Yinjiayuan for the acquisition of the entire equity interests and related Distressed Assets in the two Target Companies after deducting the Disposal Consideration of RMB100 million payable by Lin'an Yixiang directly to the Administrator from the Total Investment Amount.

**Status of the Acquisition of the Target Companies and the 17 Non-Target Companies and their disposal**

As at the Latest Practicable Date, (a) the entire equity interest of each of the Target Companies had been transferred to a wholly-owned subsidiary of the Company on 9 October 2019 and the Total Investment Amount had been settled by the Group in full in accordance with the terms the Restructuring Investment Agreement; and (b) the equity interest of 15 out of the 17 Non-Target Companies had been transferred to the Group by the Administrator and the equity transfer of the remaining two Non-Target Companies are still in process due to some delay caused by the novel coronavirus outbreak. As at the Latest Practicable Date, the information as to the expected date of completion of the equity transfer of the remaining two Non-Target Companies had not been available to the Company due to the recent suspension of office of the relevant local government departments caused by the novel coronavirus outbreak. Notwithstanding that, it remains the intention of the Group to complete the acquisition and disposal of such remaining two Non-Target Companies and the Group is not aware of any change of circumstances either concerning Lin'an Yixiang or the Administrator which would or may result in the completion not be proceeded with. It is expected that once the equity transfer of the two Non-Target Company are completed, 100% of all the equity interest of all the 17 Non-Target Companies will be transferred to Lin'an Yixiang against its receipt of the RMB100 million Disposal Consideration to be paid by Lin'an Yixiang.

**Basis of the consideration**

The Total Investment Amount of RMB2,530 million represented the bidding price submitted by both of the Restructuring Investors which was selected by the Yuhang Court to be the winning bid. The minimum bid amount was RMB2,500 million and the bid increment amount was RMB30 million. To the best of the Directors' knowledge and information, there were two participants in the bidding and Nanjing Yinjiayuan and Lin'an Yixiang submitted an increment of RMB30 million above the minimum bid amount and won the bid. The Net

Acquisition Consideration of RMB2,430 million, being the net amount payable by Nanjing Yinjiayuan for the Target Acquisition after deducting the Disposal Consideration of RMB100 million payable by Lin'an Yixiang directly to the Administrator from the Total Investment Amount.

The Net Acquisition Consideration was determined by Nanjing Yinjiayuan and Lin'an Yixiang after arm's length negotiations after considering the major asset owned by Zhejiang Lin'an Zhongdu Properties, namely, the Lin'an Zhongdu Land and the Wonderland Hotel Land and the buildings thereon owned by the two Target Companies, total asset value of the 19 Distressed Companies in aggregate of approximately RMB2,250 million as at 18 November 2014 as stated in an audit report addressed to the Administrator dated 7 January 2017 and the Directors' view that the vast majority of the value in the 19 Distressed Companies from the perspective of the Group lie in the major assets of the two Target Companies. For further information on the major assets of the two Target Companies, please refer to the paragraph headed "Information on the Target Land and Properties" in this circular. It was intended by the Group that the Lin'an Zhongdu Land would be developed into properties comprising mainly residential properties for sale. The Disposal Consideration was determined by Nanjing Yinjiayuan and Lin'an Yixiang after arm's length negotiations taking into consideration (i) the minimum bidding amount set by the Yuhang Court and the final bidding price intended to be submitted by Nanjing Yinjiayuan and Lin'an Yixiang for acquiring the 19 Distressed Companies and the related Distressed Assets; (ii) the Net Acquisition Consideration that the Group intended to pay for acquiring the Lin'an Zhongdu Land; (iii) the Group had no interest in acquiring the 17 Non-Target Companies after assessment of the business prospects of the 17 Non-Target Companies and there was no liquid market for the Group to find other willing buyers to dispose of the 17 Non-Target Companies and that Lin'an Yixiang has agreed to acquire the remaining 17 Non-Target Companies; and (iv) the conclusion of the Restructuring Plan required acceptance of the terms (including the Disposal Consideration) by Nanjing Yinjiayuan as well as Lin'an Yixiang. To the best of the Directors knowledge and information, although the business scope of Zhejiang Zhongdu Property Development, being one of the 17 Non-Target Companies is property development, such company was actually engaged in management of assets instead of property development.

According to the Property Valuation Report with the text contained in Appendix V to this circular the market value of the Lin'an Zhongdu Land as at 31 December 2019 was approximately RMB2,628.6 million and the market value of the Wonderland Hotel Land as at 31 December 2019 was approximately RMB167 million, and the aggregated valuated market value of the Target Land and Properties as at 31 December 2019 was approximately RMB2,795.6 million. For further details of the valuation and market values of the said Target Land and Properties, please refer to Appendix V to this circular.

After considering the above factors and arm's length commercial negotiations with Lin'an Yixiang, the Directors are of the view that the Total Investment Amount, the Net Acquisition Consideration, the Disposal Consideration and the terms of the Transactions are on normal commercial terms, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

**Payment of the consideration**

As mentioned above, as at the Latest Practicable Date, the Total Investment Amount had been paid by Nanjing Yinjiayuan to the designated bank account of the Administrator in accordance with the timeframe as set out in the paragraphs headed "Subject matter" in this circular, which was financed by the Group's internal resources and borrowings from third parties.

**Completion**

As mentioned above, completion of the Target Acquisition had taken place on 9 October 2019 whereby the transfer of the 100% equity interests in the two Target Companies to the Group had been completed.

## INFORMATION ON THE TWO TARGET COMPANIES AND THE 17 NON-TARGET COMPANIES

Zhejiang Lin'an Zhongdu Properties is a company established in the PRC and is principally engaged in property development and its major assets are the Lin'an Zhongdu Land and the buildings thereon located in Lin'an District, Hangzhou City, Zhejiang Province, the PRC which is currently under construction and development into properties mainly comprising residential properties. At the time when the Cooperation Agreement was signed, to the best knowledge of the Company after making reasonable enquiries, save for holding the Lin'an Zhongdu Land, Zhejiang Lin'an Zhongdu Properties had ceased business operation and had not engaged in any property development activities nor any other business activities during the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 due to lack of funds, and it entered into the winding up proceedings in 2014 due to insolvency. It was the intention of the Company to acquire the Lin'an Zhongdu Land through the acquisition of 100% equity interest in Zhejiang Lin'an Zhongdu Properties.

Wonderland Hotel Company is a company established in the PRC and is principally engaged in the development and management of the operations of the Hangzhou Zhongdu Qingshan Wonderland Hotel situated at No.88 Shengyuan Road, Jincheng Street, Lin'an District, Zhejiang Province, the PRC. Opened in December 2007, Hangzhou Zhongdu Qingshan Wonderland Hotel was the first ecotypic and commercial resort hotel constructed pursuant to the standard of five-star hotel in Lin'an District. Hangzhou Zhongdu Qingshan Wonderland Hotel is only 30-minute drive from downtown of Hangzhou City and 50-minute drive from Hangzhou International Airport. Guests from Shanghai can directly arrive at Hangzhou Zhongdu Qingshan Wonderland Hotel from Shanghai-Hangzhou expressway to Anhui-Hangzhou expressway, while passing through Hangzhou Ring Road in between. Hangzhou Zhongdu Qingshan Wonderland Hotel has 242 guestrooms, with 80% of which enjoy lake view of the Lin'an Lake. The major assets of Wonderland Hotel Company include the land on which Hangzhou Zhongdu Qingshan Wonderland Hotel was built and the buildings and fixtures of Hangzhou Zhongdu Qingshan Wonderland Hotel.

As disclosed in the Announcement, Wonderland Hotel Company's principal business activities also included the management of Lin'an Landscape Family Hotel* (臨安湖畔童話酒店) situated at No.88 Shengyuan Road, Jincheng Street, Lin'an District, Zhejiang Province, the PRC. The Company would like to clarify that based on the information provided to the Group since the completion of the equity transfer of the Target Companies and their assets to the Group, the Company noted that this Lin'an Landscape Family Hotel* (臨安湖畔童話酒店) has not been in operation and this property is part of the Lin'an Zhongdu Land owned by Zhejiang Lin'an Zhongdu Properties. It is the intention of the Group that it would be developed as part of the project to be developed on the Lin'an Zhongdu Land.

The 17 Non-Target Companies consisting of companies established in the PRC. Further information on them including their respective principal business scope is set out in the section headed "Definitions" in this circular. There is no requirement under the Restructuring Plan that the operations of the 17 Non-Target Companies shall be continued and Lin'an Yixiang may continue with the business operations or dissolve any or all of such companies at its discretion after completion of the Disposal.

All of the 19 Distressed Companies have entered into winding up proceedings due to insolvency in 2014 and was together adjudicated bankrupt by the Yuhang Court in November 2016 and thereafter by the Hangzhou People's court in March 2017 and was ordered for restructuring by the Yuhang Court in November 2017.

## INFORMATION ON THE TARGET LAND AND PROPERTIES

### The Lin'an Zhongdu Land

The Lin'an Zhongdu Land is located in Jincheng Street Yu Village and Nishanwan Village, Lin'an District, Hangzhou City, Zhejiang Province (浙江省杭州市臨安區錦城街道余村、泥山灣村) with a total site area of approximately 966,236.3 sq. m. and a total planned gross floor area of 629,648.9 sq. m. The project being developed on the Lin'an Zhongdu Land consists of six phases, with brief particulars set out below:

| Project phase | Approved grant of land use | Site are (sq. m.) | Total gross floor area (sq. m.) | Total gross floor area sold (sq. m.) | Total gross floor area remained to be sold (sq. m.) | Total gross floor area held for investment (sq. m.) |
|---|---|---|---|---|---|---|
| Phase 1 (Note 1) | Commercial/residential | 159,453.6 | 44,937 | 35,321.81 | 9,615.19 | 0 |
| Phase 2 (Note 1) | Commercial/residential | 163,401.9 | 43,115 | 32,704.64 | 3,833.36 | 6,577 |
| Phase 3 (Note 1) | Commercial/residential | 199,347.6 | 53,160.39 | 39,802.77 | 13,357.62 | 0 |
| Phase 4 (Note 1) | Commercial/residential | 248,713.53 | 279,831.16 | 16,803 | 263028.16 | 0 |
| Phase 5 (Note 1) | Commercial/residential | 99,057.00 | 130,069.49 | 0 | 130,069.49 | 0 |
| Phase 6 (Note 1) | Commercial/residential | 53,931.00 | 69,278.00 | 0 | 69,278.00 | 0 |
| **Total** | | **923,904.10** | **620,391.90** | **124,632.20** | **489,181.820** | **6,577** |

*Note:*

1. As at the Latest Practicable Date, Phase 1, Phase 2 and Phase 3 development had been completed, Phase 4 was under construction and remains to be completed and Phase 5 and Phase 6 have not yet commenced construction and remained to be developed.

According to the Restructuring Plan, the Restructuring Investment Agreement and the Cooperation Agreement, upon the completion of the equity transfer of Zhejiang Lin'an Zhongdu Properties to the Group, the Group shall undertake to continue with the development and complete the construction and delivery of Phase 4 of the Lin'an Zhongdu Land Project for sale and delivery to purchasers and shall complete such development and certain repair works within the area of Phase 4 development within the time schedule as provided under the Restructuring Plan. It is the plan of the Group to complete the construction of the remaining portion of Phase 4 of the Lin'an Zhongdu Land Project and to develop the remaining portion of the Lin'an Zhongdu Land allocated for Phase 5 and Phase 6 development.

**The Wonderland Hotel Land**

The Wonderland Hotel Land is located at No.88 Shengyuan Road, Jincheng Street, Lin'an District, Hangzhou City, Zhejiang Province, the PRC and has a total site area of 40,482.7 sq. m. and the Hangzhou Zhongdu Qingshan Wonderland Hotel situated thereon is currently used for operation of hotel business. According to the Restructuring Plan, the Restructuring Investment Agreement and the Cooperation Agreement, upon the completion of the equity transfer of the Wonderland Hotel Company to the Group, the Group would undertake to continue the business operation of the Hangzhou Zhongdu Qingshan Wonderland Hotel.

**REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Net Acquisition Consideration was agreed between Nanjing Yinjiayuan and Lin'an Yixiang after arm's length negotiations and the primary reason of the Transactions is the value and development potential of the major asset owned by Zhejiang Lin'an Zhongdu Properties, namely, the Lin'an Zhongdu Land. The location of Lin'an Zhongdu Land is near the Binhu New Town Centre (濱湖新城中心) of Lin'an District which is currently the main focused area of development of Lin'an District. It is located approximately 3.5 kilometers from the Lin'an District Government buildings and approximately 2.5 kilometers from the commercial complex Binhu Tiandi (濱湖天地) and is accessible by railway transport to the Hangzhou downtown area. It is also in the vicinity of beautiful scenery of mountains and the Qingshan Lake (青山湖). It was intended by the Group that the Lin'an Zhongdu Land would be developed into high-end low-density residential properties for sale. The Company considers that the Lin'an Zhongdu Land has a high development potential as it is easily assessable by public transportation, and facilities in the vicinity is relatively comprehensive, and with a beautiful scenery surrounded by nature. Although the outbreak of novel coronavirus (COVID-19) in January 2020 had caused significant disruption to economic activities around the world, as far as the PRC is concerned, significant drops in new confirmed cases of infections in the PRC were reported recently, public transport, business operations, industrial productions are set to resume gradually and resumption rate has been on the rising trend. It is believed that the RPC's economy is looking to revive and as the government signaled progress in battling the novel coronavirus (COVID-19) outbreak. As such, the Company considers that the Acquisition shall provide the Group with a good opportunity to expand the Group's land reserve at a reasonable cost and enhance its ability to sustainable development. Through the acquisition of the 17 Non-Target Companies by Ling'an Yixiang the Group could reduce its investment risk and enhance the effectiveness and efficiency of its capital to focus the resources on the acquisition of the Lin'an Zhongdu Land which is the Group's main targeted assets in participating in the Restructuring Plan.

It is the intention of the Group that it would continue with the business operation of the Hangzhou Zhongdu Qingshan Wonderland Hotel after completion of the Transactions in accordance with the requirements under the Restructuring Plan and in future the Company may dispose of the equity interest of Wonderland Hotel Company to realise this investment should suitable opportunities arise.

Accordingly, the Directors consider that the Transactions are carried out on normal commercial terms which are fair and reasonable and in the interest of the Shareholders as a whole.

## INFORMATION OF THE PARTIES TO THE TRANSACTIONS

The Company is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange since 6 March 2019. The Group is an established property developer in the PRC focusing on developing quality residential properties in the Yangtze River Delta Megalopolis for customers of all ages. The Group commenced property development operations in Nanjing and successfully expanded its footprint to other cities in the Yangtze River Delta Megalopolis, including Wuxi, Suzhou, Zhenjiang, Hangzhou, Ma'anshan, Hefei, Xuzhou and Taizhou.

Nanjing Yinjiayuan is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company, and its principal business activity is investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (1) Lin'an Yixiang is a company established in the PRC with limited liability and its principal business activity is property development; (2) as at the Latest Practicable Date, Lin'an Yixiang's ultimate beneficial owner is Zhou Jianrong (周健榮) and Lin'an Yixiang and its said ultimate beneficial owner are Independent Third Parties; (3) the Administrator comprises three law firms and an accounting firm (namely, Zhejiang Zhiren Law Office* (浙江智仁律師事務所), Beijing Dacheng (Hangzhou) Law offices* (北京大成(杭州)律師事務所)*, Beijing Dacheng (Ningbo) Law offices* (北京大成(寧波)律師事務所) and Zhejiang Zhongqing Certified Public Accountants Company Limited* (浙江中興會計師事務所有限公司)); and as at the Latest Practicable Date, the Administrator and the respective ultimate beneficial owners of such law firms and accounting firm are Independent Third Parties.

## FINANCIAL EFFECT OF THE ACQUISITION OF THE TARGET COMPANIES ON THE GROUP

### (a) Wonderland Hotel Company and the 17 Non-Target Companies

Upon completion of the Acquisition of Wonderland Hotel Company, Wonderland Hotel Company became a wholly-owned subsidiary of the Company and its financial results, assets and liabilities have been consolidated into the Group's financial statements. However, the indebtedness owed by Wonderland Hotel Company incurred prior to the Restructuring of it in the approximate amount of RMB386 million would have been fully compromised, settled and discharged, in consideration for the Total Investment Amount already paid to the Administrator, through the arrangements contemplated under the Restructuring Plan which are the obligations of the Administrator under the Restructuring Investment Agreement and the Restructuring Plan approved by the Yuhang Court and accordingly, such previous indebtedness of approximately RMB386 million would have no impact on the Group's financial results after completion of acquisition of the two Target Companies.

### (b) Zhejiang Lin'an Zhongdu Properties

Despite that the Group was acquiring the entire equity interest in Zhejiang Lin'an Zhongdu Properties and its principal business being property development, at the time when the Cooperation Agreement and the Restructuring Investment Agreement were signed, to the best knowledge of the Company after making reasonable enquiries, save for holding the Lin'an Zhongdu Land, Zhejiang Lin'an Zhongdu Properties had ceased business operation and had not engaged in any property development activities nor any other business activities during the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 due to lack of funds, and it entered into the winding up proceedings in 2014 due to insolvency. It was the intention of the Company to acquire the Lin'an Zhongdu Land through the acquisition of 100% equity interest in Zhejiang Lin'an Zhongdu Properties. Therefore, the Directors are of the view that the Acquisition should be accounted for as acquisition of asset (i.e., the Lin'an Zhongdu Land). Besides, it is also common in the PRC for real estates companies to acquire interest of a land through acquiring the company that holds the ownership in the land. Further, it is anticipated that upon the successful implementation and completion of the Restructuring Plan, all the indebtedness owed by Zhejiang Lin'an Zhongdu Properties prior to its suspension of business operation as appearing on the books of Zhejiang Lin'an Zhongdu Properties would have been fully compromised, settled and discharged, in consideration for the Total Restructuring Investment already paid to the Administrator, through the arrangements contemplated under the Restructuring Plan which are the obligations of the Administrator under the Restructuring Investment Agreement and the Restructuring Plan approved by the Yuhang Court.

In light of the above, the Acquisition of 100% equity interest in Zhejiang Lin'an Zhongdu Properties should in fact be considered as acquisition of assets, namely, the Lin'an Zhongdu Land, instead of businesses as defined under the said applicable accounting standards. Upon completion of the Acquisition of Zhejiang Lin'an Zhongdu Zhejiang Lin'an Zhongdu Properties became a wholly-owned subsidiary of the Company and its assets have been consolidated into the Group's financial statements. Accordingly, no accountant's report for

Zhejiang Lin'an Zhongdu Properties for the Reporting Period is included in this circular. In addition, as the construction work for the development of Lin'an Zhongdu Land was suspended during the Reporting Period, there was no revenue generated by Lin'an Zhongdu Land during the Reporting Period due to Zhejiang Lin'an Zhongdu Properties entering into winding up proceedings due to insolvency since 2014, which was supported by the result of enquires conducted with the former management of Zhejiang Lin'an Zhongdu Properties who confirmed that no revenue was generated by Lin'an Zhongdu Land during the Reporting Period.

The equity interests together with the Distressed Assets of 17 Non-Target Companies will be transferred to Lin'an Yixiang and will not be consolidated into the Group's financial statements and such accounting treatment had been agreed by the Company with its auditors.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular is prepared as if completion of the Acquisition of the two Target Companies had taken place on 30 June 2019 to illustrate the effect thereof.

**Assets and liabilities**

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular (as if the Transactions had been completed on 30 June 2019), (i) the consolidated total assets of the Group would have increased from approximately RMB30,853.71 million to approximately RMB31,426.08 million on a pro forma basis; (ii) the consolidated total liabilities of the Group would have increased from approximately RMB27,561.52 million to approximately RMB28,136.15 million on a pro forma basis; and (iii) the consolidated net assets of the Group would have decreased from approximately RMB3,292.19 million to approximately RMB3,289.93 million on a pro forma basis.

Further details of the financial effect of the Transactions on the assets and liabilities of the Enlarged Group together with the bases in preparing the unaudited pro forma financial information are set out in Appendix IV to this circular.

**Earnings**

The Company does not expect that the Acquisition of the Target Companies would have a significant effect on the earnings of the Group.

Further details of the financial effect of the Transactions on the assets and liabilities of the Enlarged Group together with the bases in preparing the unaudited pro forma financial information are set out in Appendix IV to this circular.

## LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transactions is more than 25% but less than 100%, the Transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## THE EGM

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

To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the Latest Practicable Date, (i) no Shareholder had any material interest in the Transactions and was required to abstain from voting at the EGM on resolutions for approving the Transactions; (ii) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (iii) there was no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his/her Shares to a third party, either generally or on a case-by-case basis.

A notice convening the EGM to be held at the headquarter and principal place of business of the Company at 21st Floor, Block A Yincheng Plaza, 289 Jiangdongbeilu, Nanjing, the People's Republic of China on Monday, 20 April 2020 at 2:30 p.m. is set out on pages Notice of EGM-1 to Notice of EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Such form of proxy is also published on the website of the Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.yincheng.hk). Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar 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 of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

## RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the Transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board would recommend the Shareholders to vote in favour of the resolutions to approve and ratify the Transactions at the EGM.

## ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular and the notice of the EGM.

Yours faithfully,
By order of the Board
**Yincheng International Holding Co., Ltd.**
**Huang Qingping**
*Chairman*

*In this Appendix I, given that the completion of the acquisition of the Target Companies had taken place in October 2019, the references to the "Group" in this Appendix I (i) should be read as the Group on an enlarged group basis including the two Target Companies where the timing referred to is a point in time after October 2019 (e.g., the indebtedness statement as of 31 January 2020) or where the context refers to a certain period of time after October 2019 or in future; and (ii) where the context refers to a date or period of time prior to the completion in October 2019, it should be read as the Group at those points in time without including the two Target Companies.*

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Company for the Reporting Period, i.e., last three financial years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, are disclosed in the annual reports of the Company for each of the three years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019, respectively. These annual reports and interim report are published on the website of the Stock Exchange (http://hkexnews.hk) and the website of the Company (http://yincheng.hk):

(a) the audited consolidated financial statements of the Group for the years ended 31 December 2017 and 31 December 2016 as set out on pages I-1 to I-123 of the Prospectus;

(b) the audited consolidated financial statements of the Group for the year ended 31 December 2018 as set out on pages 63 to 172 of the 2018 annual report of the Company published on 29 April 2019;

(c) the unaudited interim condensed financial statements of the Group for the six months ended 30 June 2019 as set out on pages 47 to 108 of the interim report of the Company published on 26 September 2019.

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2020, being the latest practicable date for the purpose this indebtedness statement, the Group had a total bank and other borrowings of approximately RMB10,144.13 million, comprising secured and guaranteed bank loans and other secured loans of approximately RMB6,395.26 million, and approximately RMB2,958.92 million, respectively, unsecured and unguaranteed loans of approximately RMB789.95 million and current and non-current lease liabilities of approximately RMB15,859,000 and RMB3,065,000, respectively.

As at 31 January 2020, certain of the Group's secured borrowings were secured by the pledges of the asset portfolio which includes investment properties, right-of-use assets, properties under development and completed properties held for sale.

**Contingent liabilities**

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a customer defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If it fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the customers of its completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the customers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks. Under the above arrangement, the related properties were pledged to the banks as collaterals for the mortgage loans, upon default on mortgage repayments by these customers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the customers take possession of the relevant properties.

As at 31 January 2020, the material contingent liabilities incurred for the Group's provision of guarantees to financial institutions in respect of the mortgage loans they provided to the Group's customers were approximately RMB5,132.30 million.

As at 31 January 2020, the material contingent liabilities incurred for the Group's provision of guarantees to banks and other institutions in connection with financial facilities granted to the related companies were approximately RMB1,618.50 million.

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on its business, financial condition or operating results. Save as disclosed in this circular, the Group had no other material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the Group, at the close of business on 31 January 2020, the Group did not have any (i) debt securities of the Group issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured; (ii) other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt (iii) any outstanding mortgages and charges; or (iv) any material contingent liabilities or guarantees.

## 3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the expected decrease of profit and profit attributable to owners of the Company for the year ended 31 December 2019 as compared to those for the year ended 31 December 2018 based on preliminary assessment of the Group's consolidated management accounts as disclosed in the announcement of the Company dated 13 March 2020, the Directors were not aware of any material adverse change in the financial or trading position or outlook 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 are of the opinion that, taking into account the financial resources available to the Group including the internally generated funds and the present available bank facilities, and taking into account the impact of the Transactions, the Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Since the entire equity interest of each of the Target Companies had been acquired and transferred to the Group in October 2019, each of the Target Companies is regarded as an indirect wholly-owned subsidiary of the Company. Upon the successful implementation and completion of the Restructuring Plan, (a) all the indebtedness owed by Zhejiang Lin'an Zhongdu Properties prior to its suspension of business operation as appearing on the books of Zhejiang Lin'an Zhongdu Properties and (b) the pervious indebtedness owed by Wonderland Hotel Company incurred prior to the Restructuring of Wonderland Hotel Company of approximately RMB386 million would have been fully compromised, settled and discharged, in consideration for the Total Restructuring Investment already paid to the Administrator, through the arrangements contemplated under the Restructuring Plan which are the obligations of the Administrator under the Restructuring Investment Agreement and the Restructuring Plan approved by the Yuhang Court. Save as aforesaid, the financial results, assets and liabilities of Wonderland Hotel Company have been consolidated into the Company's account and the assets of Zhejiang Lin'an Zhongdu Properties have been consolidated into the Company's assets.

During the Chinese New Year of 2020, the outburst of a new coronavirus public health emergency resulted in shutdowns and suspension of production in the PRC, and the suspension of trading in sales offices affected the overall sales plan for real estate developers in January and February. The Group has fully resumed its operation at the end of February. The resumption of all construction and sales has been made in active compliance with the local government's requirements for resumption. Since the Company's overall launch plan is in the second quarter and beyond, the overall impact of the epidemic has been insignificant, and the Company remains optimistic about the contracted sales for the year.

In 2020, as there will still be various uncertainties in the overall real estate market in the PRC, such as trade war, economic downturns, the volatility of the global stock market due to the sharp decline in crude oil prices, and the lingering of 2019 novel coronavirus (2019-nCoV), coupled with tightening credit and accelerating the acquisition and integration in the industry, small and medium-sized private real estate enterprises will continue to face tremendous operating pressure. Therefore, it is especially important to clearly understand its own positioning and formulate a suitable development strategy.

Although the Group currently is of potential scale, the Group's excellent market goodwill and reputation, its historical and deep-rooted economic development potential in the region, its strong market foundation, solid established developmental and operational capabilities, and its quality property products as ''with healthy, comfortable, smart and convenient living environment for customers of all ages'', have laid a sound foundation for sustainable and stable development. The Group has strategically started to accelerate the accumulation of land bank in 2017, and has entered high-growth cities including Hangzhou and Suzhou through cooperation with local experienced real estate developers. As of the end of 2019, calculated based on interest, the Group's GFA under development was 2,054,399 sq.m., and planned GFA of future development was 1,694,100 sq.m..

Looking forward to 2020, the Group will continue to focus on the high-growth regional market along Yangtze River Delta, maintain its strategic strengths, and gradually establish the Group's product and brand advantages in regional markets through the strategy to enhance our market penetration. It will also seize opportunities that are in line with the Group's investment strategy to focus on the development of small and medium-sized projects with great development potential, and to achieve large-scale development through the rapid turnaround model, so as to increase its scale and strength. While seizing opportunities in the external market, the Group will take proactive steps to reform to optimize its organizational system, to improve management efficiency and to enhance business management. By adjusting the performance assessment mechanism, the Group will stimulate the enthusiasm and morale of the employees to enhance the overall competitiveness of the Group.

The future external environment is full of uncertainties. Opportunities and challenges coexist, so do hopes and difficulties. The Group will continue to seize development opportunities and minimize various risks through self-reform and continuous innovation. It will also empower the future and keep up with changes by enhancing its internal capabilities with efforts and improving quality and efficiency, thus achieving sustainable and high-quality development with time.

The successful listing marks the beginning of a new developmental milestone on a higher platform for the Group. The Group is able to continue to grow and develop because of its talents. Therefore, adhering to its original culture of ''Create platform and cultivate talent'', the Group keeps implementing the talent training idea of ''to invest is to invest in talent'', to transform soft power into hard power, and creating a platform for fighters to display their talents and achieve careers. Finally, on behalf of the Board, I would like to express my most sincere gratitude to all the employees who have worked hard and fulfilled their responsibilities over the years. Meanwhile, we are deeply grateful to our customers, shareholders and friends who care about and support us. In the future, the Group will continue to analyze and seize market opportunities and firmly walk the path of efficient operations, and to create more fruitful returns for our shareholders and employees.

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

EY 安永

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Central
Hong Kong

The Directors
Yincheng International Holding Co., Ltd.
Sertus Chambers
Governors Square
Suite # 5-204
23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman KY1-1104
Cayman Islands

Dear Sirs,

We report on the historical financial information of Hangzhou Zhongdu Qingshan Wonderland Hotel Company Limited (杭州中都青山湖畔大酒店有限公司, the "Target Company") set out on pages II-4 to II-42, 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 nine months ended 30 September 2019 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018 and 30 September 2019 and a summary of significant accounting policies and other explanatory information (the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-42 forms an integral part of this report, which has been prepared for inclusion in the circular of Yincheng International Holding Co., Ltd. dated 28 June 2019 (the "Circular") in connection with the acquisition by Nanjing Yinjiayuan Enterprise Management Co., Ltd. (南京銀嘉淵企業管理咨詢有限公司), a subsidiary of the Company, of 100% of the entire equity interests in the Target Company from the administrator of bankruptcy restructuring of the Target Company as approved by the Hangzhou City Yuhang District People's Court (the "Administrator").

**Directors' responsibility for the Historical Financial Information**

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors 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 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 September 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 2.1 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 nine months ended 30 September 2018 and other explanatory information (the ''Interim Comparative Financial Information''). The directors of the Target Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 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 purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**Adjustments**

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

**Dividends**

We refer to note 11 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
27 March 2020

## I 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 HKICPA (the "Underlying Financial Statements").

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

### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | **Year ended 31 December** | | | **Nine months ended 30 September** | |
|---|---|---|---|---|---|---|
| | | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **REVENUE** | *5* | 55,600 | 59,625 | 54,884 | 39,631 | 33,092 |
| Cost of sales | | (44,622) | (40,974) | (42,363) | (31,286) | (30,121) |
| **GROSS PROFIT** | | 10,978 | 18,651 | 12,521 | 8,345 | 2,971 |
| Other income and gains | *5* | 80 | 93 | 580 | 87 | 1,155 |
| Selling and distribution expenses | | (1,234) | (1,483) | (1,467) | (1,095) | (732) |
| Administrative expenses | | (14,542) | (14,716) | (14,579) | (10,525) | (41,120) |
| Other expenses | | (243) | (116) | (100) | (12) | (63) |
| Impairment losses on financial assets, net | | — | — | — | — | (76) |
| Finance costs | *7* | — | — | (12) | (5) | (13) |
| (LOSS)/PROFIT BEFORE TAX | | (4,961) | 2,429 | (3,057) | (3,205) | (37,878) |
| Income tax expense | *10* | — | — | — | — | — |
| **(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR/ PERIOD** | | (4,961) | 2,429 | (3,057) | (3,205) | (37,878) |

## STATEMENTS OF FINANCIAL POSITION

| | | 31 December | | | 30 September |
|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2019 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | *12* | 138,209 | 127,229 | 118,451 | 111,944 |
| Right-of-use assets | *13* | 6,719 | 6,472 | 6,671 | 6,351 |
| Total non-current assets | | 144,928 | 133,701 | 125,122 | 118,295 |
| **CURRENT ASSETS** | | | | | |
| Inventories | *14* | 961 | 938 | 756 | 844 |
| Trade receivables | *15* | 2,572 | 4,046 | 2,332 | 2,598 |
| Right-of-use assets | *13* | 247 | 247 | 247 | 247 |
| Prepayments, deposits and other receivables | *16* | 653 | 740 | 626 | 752 |
| Cash and cash equivalents | *17* | 24,381 | 38,350 | 44,302 | 41,133 |
| Total current assets | | 28,814 | 44,321 | 48,263 | 45,574 |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | *18* | 4,512 | 5,239 | 5,479 | 4,276 |
| Other payables, deposits received and accruals | *19* | 51,614 | 51,340 | 50,610 | 80,265 |
| Contract liabilities | *20* | 6,161 | 7,550 | 6,051 | 6,407 |
| Interest-bearing bank borrowings | *21* | 340,000 | 340,000 | 340,000 | 340,000 |
| Lease liabilities | *13* | — | — | 195 | 163 |
| Total current liabilities | | 402,287 | 404,129 | 402,335 | 431,111 |
| **NET CURRENT LIABILITIES** | | (373,473) | (359,808) | (354,072) | (385,537) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | (228,545) | (226,107) | (228,950) | (267,242) |
| **NON-CURRENT LIABILITIES** | | | | | |
| Lease liabilities | *13* | — | — | 250 | 127 |
| Other liabilities | | 677 | 686 | 650 | 359 |
| Total non-current liabilities | | 677 | 686 | 900 | 486 |
| **NET LIABILITIES** | | (229,222) | (226,793) | (229,850) | (267,728) |
| **EQUITY** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | *22* | 50,000 | 50,000 | 50,000 | 50,000 |
| Reserves | *23* | (279,222) | (276,793) | (279,850) | (317,728) |
| | | (229,222) | (226,793) | (229,850) | (267,728) |
| **NET DEFICITS** | | (229,222) | (226,793) | (229,850) | (267,728) |

## STATEMENTS OF CHANGES IN EQUITY

| | Issued capital | Accumulated losses | Net deficits |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 25)* | *(note 26)* | |
| As at 1 January 2016 | 50,000 | (274,261) | (224,261) |
| Loss and total comprehensive expense for the year | — | (4,961) | (4,961) |
| As at 31 December 2016 and 1 January 2017 | 50,000 | (279,222) | (229,222) |
| Profit and total comprehensive income for the year | — | 2,429 | 2,429 |
| As at 31 December 2017 and 1 January 2018 | 50,000 | (276,793) | (226,793) |
| Loss and total comprehensive expense for the year | — | (3,057) | (3,057) |
| As at 31 December 2018 and 1 January 2019 | 50,000 | (279,850) | (229,850) |
| Loss and total comprehensive expense for the period | — | (37,878) | (37,878) |
| As at 30 September 2019 | 50,000 | (317,728) | (267,728) |

| | Issued capital | Accumulated losses | Net deficits |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 31 December 2017 and 1 January 2018 | 50,000 | (276,793) | (226,793) |
| Loss and total comprehensive expense for the period (unaudited) | — | (3,205) | (3,205) |
| As at 30 September 2018 (unaudited) | 50,000 | (279,998) | (229,998) |

## STATEMENTS OF CASH FLOWS

| | | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2018 | 2019 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| (Loss)/profit before tax | | (4,961) | 2,429 | (3,057) | (3,205) | (37,878) |
| Adjustments for: | | | | | | |
| Depreciation of items of property, plant and equipment | *6&12* | 13,629 | 11,104 | 11,098 | 8,153 | 7,500 |
| Depreciation of right-of-use assets | *6&13* | — | — | 89 | 45 | 134 |
| Loss on disposal of items of property, plant and equipment | *6* | 55 | 6 | 100 | 12 | 63 |
| Impairment losses on financial assets, net | *6* | — | — | — | — | 76 |
| Amortisation of prepaid land lease payments | *6&13* | 247 | 247 | 247 | 186 | 186 |
| Finance costs | *7* | — | — | 12 | 5 | 13 |
| Interest income | *5* | (50) | (81) | (116) | (84) | (92) |
| | | 8,920 | 13,705 | 8,373 | 5,112 | (29,998) |
| Decrease/(increase) in inventories | | 3 | 30 | 180 | 811 | (88) |
| (Increase)/decrease in trade receivables | | (578) | (1,475) | 1,716 | 1,763 | (342) |
| Decrease/(increase) in prepayments, deposits and other receivables | | 436 | (89) | 115 | (1,197) | (126) |
| Increase/(decrease) in trade payables | | 401 | 726 | 239 | (955) | (1,203) |
| Increase/(decrease) in other payables, deposits received and accruals | | 638 | (276) | 111 | (1,292) | 30,227 |
| Increase/(decrease) in other liabilities | | — | 9 | (36) | (18) | (291) |
| Increase/(decrease) in contract liabilities | | 1,127 | 1,389 | (1,500) | (2,099) | 356 |
| **Cash generated from/(used in) operations** | | 10,947 | 14,019 | 9,198 | 2,125 | (1,465) |
| Interest received | *5* | 50 | 81 | 116 | 84 | 92 |
| Tax paid | | (32) | (2) | (840) | (433) | (571) |
| **Net cash flows from/(used in) operating activities** | | 10,965 | 14,098 | 8,474 | 1,776 | (1,944) |

| | | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | 2018 | 2019 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | (unaudited) | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Purchases of items of property, plant and equipment | *12* | (498) | (135) | (2,442) | (556) | (1,062) |
| Proceeds from disposal of items of property, plant and equipment | | 9 | 6 | 22 | 5 | 5 |
| **Net cash flows used in investing activities** | | (489) | (129) | (2,420) | (551) | (1,057) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | |
| Payment of lease liabilities | *13* | — | — | (102) | (48) | (168) |
| **Net cash flows used in financing activities** | | — | — | (102) | (48) | (168) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | 10,476 | 13,969 | 5,952 | 1,177 | (3,169) |
| Cash and cash equivalents at beginning of year/period | | 13,905 | 24,381 | 38,350 | 38,350 | 44,302 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD** | | 24,381 | 38,350 | 44,302 | 39,527 | 41,133 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | | | | |
| Cash and bank balances | *17* | 24,381 | 38,350 | 44,302 | 39,527 | 41,133 |
| **CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS** | | 24,381 | 38,350 | 44,302 | 39,527 | 41,133 |

# II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

Hangzhou Zhongdu Qingshan Wonderland Hotel Company Limited 杭州中都青山湖畔大酒店有限公司 (the "Target Company") was established in the People's Republic of China (the "PRC") with limited liability. The registered office of the Target Company is located at 88 Shengyuan Road, Jincheng Street, Lin'an District, Hangzhou City, Zhejiang Province.

Pursuant to the Restructuring Investment Agreement dated on 16 May 2019, the Company acquired 100% equity interest in the Target Company.

## 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from the Relevant Periods, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The historical financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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

**Going concern basis**

As at 30 September 2019, the Target Company's current liabilities exceeded its current assets by RMB385,537,000, primarily due to the debts incurred before the bankruptcy restructuring of the Target Company. The Target Company also reported net deficits of RMB267,728,000 on the same date.

In view of the net current liabilities position, the Directors have considered the future liquidity and performance of the Target Company and its available sources of finance in assessing whether the Target Company will have sufficient financial resources to continue as a going concern. The consideration of the bankruptcy restructuring paid by Yincheng International Holding Co., Ltd., the restructuring investor in the restructuring plan of the Target Company approved by the Hangzhou City Yuhang District People's Court, will be used to settle the debts incurred before the bankruptcy restructuring. The Directors have reviewed the Target Company's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. Having considered the cash flows from operations and its available resource of finance, the Directors are of the opinion that the Target Company is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the Historical Financial Information on a going concern basis.

## 2.2 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Target Company intends to adopt them, if applicable, when they become effective.

| | |
|---|---|
| Amendments to IFRS 3 | *Definition of a Business*[1] |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | *Interest Rate Benchmark Reform*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| IFRS 17 | *Insurance Contracts*[2] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[3] |
| Amendments to IAS 1 and IAS 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 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

The management of the Target Company anticipates that the application of the new and revised IFRSs will have no material impact on the Target Company's financial position and financial performance in the foreseeable future.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

**Impairment of non-financial assets**

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises 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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

**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 groups;

(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 groups of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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:

| | |
|---|---|
| Buildings | 4.75% |
| Office equipment, electronic and other devices | 9.5%–32% |
| Leasehold improvements | 4.75% |
| | (Over the shorter of the lease terms and useful lives) |

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/period 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/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Leases**

The Target Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***As a lessee***

The Target Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings 3 years

If ownership of the leased asset transfers to the Target Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) 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.

In calculating the present value of lease payments, the Target Company uses its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

*(c) Short-term leases and leases of low-value assets*

The Target Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

***As a lessor***

When the Target Company acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Target Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Target Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

**Investments and other financial assets**

***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. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient, 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. Trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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.

***Subsequent measurement***

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

***Financial assets at amortised cost (debt instruments)***

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

**Derecognition of financial assets**

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.

**Impairment of financial assets**

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 difference 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.

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.

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 which apply the simplified approach as detailed below.

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.

***Simplified approach***

For trade receivables, the Target Company applies a simplified approach in calculating ECLs. Therefore, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, 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 payables, financial liabilities included in other payables, deposits received and accruals, lease liabilities, other liabilities and interest-bearing bank and other borrowings.

***Subsequent measurement***

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

***Financial liabilities at amortised cost (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.

**Derecognition of financial liabilities**

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

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

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

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

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

**Provisions**

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

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

**Income tax**

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

Current tax assets and liabilities 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, and 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.

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

- when the deferred tax liability arises from the initial recognition of goodwill or 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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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, and 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, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences 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

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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 liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

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 period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Company and the customer at contract inception. When the contract contains a financing component which provides the Target Company a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

*(a) Provision of hotel room services*

Revenue from the provision of hotel room services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Target Company.

*(b) Provision of food and beverage services*

Revenue from the community value-added services is recognised when the relevant services are rendered and the customer simultaneously receives and consumes the benefits provided by the Target Company.

***Revenue from other sources***

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

***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 to the net carrying amount of the financial asset.

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Employee retirement benefits**

The employees of the Target Company which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion 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 the 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 period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Dividends**

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

***Provision for expected credit losses on trade receivables***

The Target Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Target Company's historical observed default rates. The Target Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Company's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Target Company's trade receivables is disclosed in note 15 to the Historical Financial Information.

***Leases — Estimating the incremental borrowing rate***

The Target Company cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (''IBR'') to measure lease liabilities. The IBR is the rate of interest that the Target Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Target Company ''would have to pay'', which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Target Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

***Impairment of non-financial assets (other than goodwill)***

The Target Company assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## 4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Target Company's business as a whole to make decisions about resource allocation and performance assessment. The operation of the Target Company constitutes one single operating segment — hotel operations under IFRS 8 Operating Segments and accordingly, no separate segment information is presented. No segment assets and liabilities are presented as management does not regularly review segment assets and liabilities.

### Geographical information

No geographical information is presented as the Target Company's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Target Company are located outside Mainland China.

### Information about major customers

No revenue from sales to a single customer or a groups of customers under common control accounted for 10% or more of the Target Company's revenue for each of the Relevant Periods.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from hotel operations during the Relevant Periods.

An analysis of revenue and other income and gains is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Revenue** | | | | | |
| Hotel operations: | | | | | |
| Hotel rooms | 27,997 | 28,894 | 23,161 | 17,653 | 13,612 |
| Food and beverage | 25,286 | 27,891 | 29,203 | 20,037 | 17,445 |
| Others | 2,317 | 2,840 | 2,520 | 1,941 | 2,035 |
| | 55,600 | 59,625 | 54,884 | 39,631 | 33,092 |

**Represented by:**

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Revenue from hotel rooms | | | | | |
| Recognised over time | 27,997 | 28,894 | 23,161 | 17,653 | 13,612 |
| Revenue from food and beverage | | | | | |
| Recognised at a point in time | 25,286 | 27,891 | 29,203 | 20,037 | 17,445 |
| Revenue from others | | | | | |
| Recognised over time | 1,878 | 2,365 | 2,164 | 1,666 | 1,787 |
| Recognised at a point in time | 439 | 475 | 356 | 275 | 248 |
| | 55,600 | 59,625 | 54,884 | 39,631 | 33,092 |

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Other income and gains** | | | | | |
| Interest income | 50 | 81 | 116 | 84 | 92 |
| Government grants | 28 | — | 461 | — | 975 |
| Others | 2 | 12 | 3 | 3 | 88 |
| Total | 80 | 93 | 580 | 87 | 1,155 |

## 6. PROFIT/LOSS BEFORE TAX

The Target Company's profit/loss before tax is arrived at after charging:

| | | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|
| | | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Cost of hotel operations | | 14,403 | 13,191 | 26,526 | 19,718 | 12,658 |
| Impairment of trade receivables | *15* | — | — | — | — | 76 |
| Depreciation of items of property, plant and equipment | *12* | 13,629 | 11,104 | 11,098 | 8,153 | 7,500 |
| Amortisation of prepaid land lease payments | *13* | 247 | 247 | 247 | 186 | 186 |
| Depreciation of right-of-use assets | *13* | — | — | 89 | 45 | 134 |
| Loss on disposal of items of property plant and equipment | | 55 | 6 | 100 | 12 | 63 |
| Auditors' remuneration | | — | — | — | — | 75 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | | | | | |
| Wages and salaries | | 16,343 | 16,432 | 17,013 | 11,574 | 12,748 |
| Pension scheme contributions and social welfare | | 2,530 | 1,783 | 1,979 | 1,658 | 1,908 |

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|
| | | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Interest on lease liabilities | *13* | — | — | 12 | 5 | 13 |
| | | — | — | 12 | 5 | 13 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries, allowances and benefits in kind | — | — | — | — | — |
| Performance-related bonuses | — | — | — | — | — |
| Pension scheme contributions and social welfare | — | — | — | — | — |
| Total | — | — | — | — | — |

The remuneration of the Target Company's director is set out below:

**Year ended 31 December 2016**

| | Salaries, allowances and benefits in kind | Performance-related bonuses | Pension scheme contributions and social welfare | Total remuneration |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive director: | | | | |
| — Mr. Xu Guowei | — | — | — | — |

**Year ended 31 December 2017**

| | Salaries, allowances and benefits in kind | Performance-related bonuses | Pension scheme contributions and social welfare | Total remuneration |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive director: | | | | |
| — Mr. Xu Guowei | — | — | — | — |

**Year ended 31 December 2018**

| | Salaries, allowances and benefits in kind | Performance-related bonuses | Pension scheme contributions and social welfare | Total remuneration |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive director: | | | | |
| — Mr. Xu Guowei | — | — | — | — |

**Period ended 30 September 2018 (unaudited)**

| | Salaries, allowances and benefits in kind | Performance-related bonuses | Pension scheme contributions and social welfare | Total remuneration |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive director: | | | | |
| — Mr. Xu Guowei | — | — | — | — |

**Period ended 30 September 2019**

| | Salaries, allowances and benefits in kind | Performance-related bonuses | Pension scheme contributions and social welfare | Total remuneration |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive director: | | | | |
| — Mr. Xu Guowei | — | — | — | — |

Mr. Xu Guowei, a board member of Hangzhou Zhongdu Qingshan Wonderland Hotel Company Limited, never received any remuneration from the Target Company during the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019 are not directors of the Target Company. Details of the remuneration for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019 of the highest paid employees of the Target Company are as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries, allowances and benefits in kind | 1,884,000 | 1,536,000 | 1,196,000 | 897,000 | 1,023,200 |
| Performance-related bonuses | 96,000 | 134,000 | 164,000 | 123,000 | 197,061 |
| Pension scheme contributions and social welfare | 33,374 | 31,153 | 29,607 | 22,205 | 26,468 |
| Total | 2,013,374 | 1,701,153 | 1,389,607 | 1,042,205 | 1,246,729 |

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Nil to HK$500,000 | 5 | 5 | 5 | 5 | 5 |
| Total | 5 | 5 | 5 | 5 | 5 |

## 10. INCOME TAX

Provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Target Company has determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Current tax: | | | | | |
| PRC corporate income tax | — | — | — | — | — |
| Deferred tax | — | — | — | — | — |
| Total tax charge for the year/period | — | — | — | — | — |

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Target Company is domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| (Loss)/profit before tax | (4,961) | 2,429 | (3,057) | (3,205) | (37,878) |
| At the statutory income tax rate | (1,240) | 607 | (764) | (801) | (9,469) |
| Expenses not deductible for tax | 792 | 817 | 662 | 497 | 42 |
| Tax losses utilised from previous periods | — | (1,424) | — | — | — |
| Deductible temporary differences not recognised | — | — | — | — | 6,618 |
| Tax losses not recognised | 448 | — | 102 | 304 | 2,809 |
| Tax charge at the Target Company's effective rate | — | — | — | — | — |

## 11. DIVIDENDS

No dividends have been paid or declared by the Target Company since its date of incorporation.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings *RMB'000* | Leasehold improve-ments *RMB'000* | Plant and machinery *RMB'000* | Furniture and fixtures *RMB'000* | Motor vehicles *RMB'000* | Construction in progress *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| **31 December 2016** | | | | | | | |
| At 1 January 2016: | | | | | | | |
| Cost | 123,850 | 81,211 | 16,824 | 18,275 | 816 | 5,879 | 246,855 |
| Accumulated depreciation | (36,142) | (30,400) | (11,528) | (16,772) | (609) | — | (95,451) |
| Net carrying amount | 87,708 | 50,811 | 5,296 | 1,503 | 207 | 5,879 | 151,404 |
| At 1 January 2016, net of accumulated depreciation | 87,708 | 50,811 | 5,296 | 1,503 | 207 | 5,879 | 151,404 |
| Additions | — | — | 146 | 48 | 304 | — | 498 |
| Disposal | — | — | (36) | (28) | — | — | (64) |
| Depreciation provided during the year | (6,714) | (4,812) | (1,520) | (417) | (166) | — | (13,629) |
| At 31 December 2016, net of accumulated depreciation | 80,994 | 45,999 | 3,886 | 1,106 | 345 | 5,879 | 138,209 |
| At 31 December 2016: | | | | | | | |
| Cost | 123,850 | 81,211 | 16,691 | 18,077 | 1,120 | 5,879 | 246,828 |
| Accumulated depreciation | (42,856) | (35,212) | (12,805) | (16,971) | (775) | — | (108,619) |
| Net carrying amount | 80,994 | 45,999 | 3,886 | 1,106 | 345 | 5,879 | 138,209 |
| **31 December 2017** | | | | | | | |
| At 1 January 2017: | | | | | | | |
| Cost | 123,850 | 81,211 | 16,691 | 18,077 | 1,120 | 5,879 | 246,828 |
| Accumulated depreciation | (42,856) | (35,212) | (12,805) | (16,971) | (775) | — | (108,619) |
| Net carrying amount | 80,994 | 45,999 | 3,886 | 1,106 | 345 | 5,879 | 138,209 |
| At 1 January 2017, net of accumulated depreciation | 80,994 | 45,999 | 3,886 | 1,106 | 345 | 5,879 | 138,209 |
| Additions | — | — | 69 | 66 | — | — | 135 |
| Disposal | — | — | (4) | (8) | — | — | (12) |
| Depreciation provided during the year | (6,738) | (2,716) | (1,446) | (93) | (111) | — | (11,104) |
| At 31 December 2017, net of accumulated depreciation | 74,256 | 43,283 | 2,506 | 1,071 | 234 | 5,879 | 127,229 |
| At 31 December 2017: | | | | | | | |
| Cost | 123,850 | 81,211 | 16,748 | 18,043 | 1,120 | 5,879 | 246,851 |
| Accumulated depreciation | (49,594) | (37,928) | (14,242) | (16,972) | (886) | — | (119,622) |
| Net carrying amount | 74,256 | 43,283 | 2,506 | 1,071 | 234 | 5,879 | 127,229 |

| | Land and buildings *RMB'000* | Leasehold improve-ments *RMB'000* | Plant and machinery *RMB'000* | Furniture and fixtures *RMB'000* | Motor vehicles *RMB'000* | Construction in progress *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | |
| At 1 January 2018: | | | | | | | |
| Cost | 123,850 | 81,211 | 16,748 | 18,043 | 1,120 | 5,879 | 246,851 |
| Accumulated depreciation | (49,594) | (37,928) | (14,242) | (16,972) | (886) | — | (119,622) |
| Net carrying amount | 74,256 | 43,283 | 2,506 | 1,071 | 234 | 5,879 | 127,229 |
| At 1 January 2018, net of accumulated depreciation | 74,256 | 43,283 | 2,506 | 1,071 | 234 | 5,879 | 127,229 |
| Additions | — | — | 2,145 | 297 | — | — | 2,442 |
| Disposal | — | — | (117) | (5) | — | — | (122) |
| Depreciation provided during the year | (8,183) | (1,573) | (1,185) | (99) | (58) | — | (11,098) |
| At 31 December 2018, net of accumulated depreciation | 66,073 | 41,710 | 3,348 | 1,264 | 177 | 5,879 | 118,451 |
| At 31 December 2018: | | | | | | | |
| Cost | 123,850 | 81,211 | 17,007 | 18,310 | 1,120 | 5,879 | 247,377 |
| Accumulated depreciation | (57,777) | (39,501) | (13,659) | (17,046) | (943) | — | (128,926) |
| Net carrying amount | 66,073 | 41,710 | 3,348 | 1,264 | 177 | 5,879 | 118,451 |
| **30 September 2019** | | | | | | | |
| At 1 January 2019: | | | | | | | |
| Cost | 123,850 | 81,211 | 17,007 | 18,310 | 1,120 | 5,879 | 247,377 |
| Accumulated depreciation | (57,777) | (39,501) | (13,659) | (17,046) | (943) | — | (128,926) |
| Net carrying amount | 66,073 | 41,710 | 3,348 | 1,264 | 177 | 5,879 | 118,451 |
| At 1 January 2019, net of accumulated depreciation | 66,073 | 41,710 | 3,348 | 1,264 | 177 | 5,879 | 118,451 |
| Additions | — | — | 373 | 82 | 118 | 489 | 1,062 |
| Disposal | — | — | (33) | (19) | (16) | — | (68) |
| Depreciation provided during the year | (6,061) | (1,001) | (313) | (74) | (51) | — | (7,500) |
| At 30 September 2019, net of accumulated depreciation | 60,012 | 40,709 | 3,375 | 1,252 | 228 | 6,368 | 111,944 |
| At 30 September 2019: | | | | | | | |
| Cost | 123,850 | 81,211 | 16,747 | 18,192 | 926 | 6,368 | 247,294 |
| Accumulated depreciation | (63,838) | (40,502) | (13,372) | (16,940) | (698) | — | (135,350) |
| Net carrying amount | 60,012 | 40,709 | 3,375 | 1,252 | 228 | 6,368 | 111,944 |

As at 31 December 2016, 2017 and 2018 and 30 September 2019, certain of the Target Company's buildings with a net carrying amount of approximately RMB80,994,000, RMB74,256,000, RMB66,073,000 and RMB60,012,000, respectively, were pledged to secure general banking facilities granted to the Target Company (note 21).

## 13. LEASES

**The Target Company as a lessee**

The Target Company has a lease contract for buildings in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with a lease period of 35 years, and no ongoing payments will be made under the terms of the land lease. Lease of buildings for staff accommodation have lease terms of 3 years. Generally, the Target Company is restricted from assigning and subleasing the leased assets outside the Target Company.

*(a) Prepaid land lease payments*

| | | 31 December | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at the beginning of the year/period | 7,213 | 6,966 | 6,719 | 6,472 |
| Recognised during the year/period | (247) | (247) | (247) | (186) |
| Carrying amount at the end of the year/period | 6,966 | 6,719 | 6,472 | 6,286 |
| Current portion | (247) | (247) | (247) | (247) |
| Non-current portion | 6,719 | 6,472 | 6,225 | 6,039 |

As at 31 December 2016, 2017 and 2018 and 30 September 2019, certain of the Target Company's prepaid land lease payments with a net carrying amount of approximately RMB 6,966,000, RMB6,719,000, RMB6,472,000 and RMB6,286,000, respectively, were pledged to secure general banking facilities granted to the Target Company (note 21).

*(b) Right-of-use assets*

The carrying amounts of the Target Company's right-of-use assets and the movements during the Relevant Periods are as follows:

| | | 31 December | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at the beginning of the year/period | — | — | — | 446 |
| Additions | — | — | 535 | — |
| Depreciation provided during the year/period | — | — | (89) | (134) |
| Carrying amount at the end of the year/period | — | — | 446 | 312 |

(c) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at the beginning of the year/period | — | — | — | 445 |
| New leases | — | — | 535 | — |
| Interest during the year/period | — | — | 12 | 13 |
| Payments during the year/period | — | — | (102) | (168) |
| Carrying amount at the end of the year/period | — | — | 445 | 290 |

The maturity analysis of lease liabilities is disclosed in note 27 to the historical financial information.

(d) *The amounts recognised in profit or loss in relation to leases are as follows:*

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Interest on lease liabilities | — | — | 12 | 5 | 13 |
| Depreciation charge of right-of-use assets | — | — | 89 | 45 | 134 |
| Total amount recognised in profit or loss | — | — | 101 | 50 | 147 |

**The Target Company as a lessor**

The Target Company leases its banquet hall in hotels to customers. The lease terms are all within 7 days. Rental income recognised by the Target Company during the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019 was RMB1,878,000, RMB2,365,000, RMB2,164,000, RMB1,666,000 and RMB1,787,000, respectively, details of which are included in note 5 to the financial statements.

## 14. INVENTORIES

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 273 | 344 | 212 | 224 |
| Finished goods | 688 | 594 | 544 | 620 |
| | 961 | 938 | 756 | 844 |

## 15. TRADE RECEIVABLES

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 2,572 | 4,046 | 2,332 | 2,674 |
| Impairment | — | — | — | (76) |
| | 2,572 | 4,046 | 2,332 | 2,598 |

Trade receivables mainly arise from hotel rooms and food and beverage income. The Target Company's trading terms with its customers are mainly on credit. The Target Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. In view of the aforementioned and the fact that the Target Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the date of revenue recognition, net of the loss allowance for impairment, is as follows:

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 2,521 | 3,749 | 2,028 | 2,447 |
| Over 1 year and within 2 years | 51 | 279 | 20 | 16 |
| Over 2 years and within 3 years | — | 18 | 278 | 10 |
| Over 3 years | — | — | 6 | 125 |
| | 2,572 | 4,046 | 2,332 | 2,598 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | — | — | — | — |
| Impairment losses recognised *(note 6)* | — | — | — | 76 |
| At the end of the year/period | — | — | — | 76 |

An impairment analysis was performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates were based on the ageing of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Target Company's trade receivables using a provision matrix:

**31 December 2016**

| | **Within 1 year** | **Over 1 year and within 2 years** | **Over 2 years and within 3 years** | **Over 3 years** | **Total** |
|---|---|---|---|---|---|
| Expected credit loss rate | — | — | — | — | |
| Gross carrying amount *(RMB'000)* | 2,521 | 51 | — | — | 2,572 |
| Expected credit losses (RMB'000) | — | — | — | — | — |

**31 December 2017**

| | **Within 1 year** | **Over 1 year and within 2 years** | **Over 2 years and within 3 years** | **Over 3 years** | **Total** |
|---|---|---|---|---|---|
| Expected credit loss rate | — | — | — | — | |
| Gross carrying amount *(RMB'000)* | 3,749 | 279 | 18 | — | 4,046 |
| Expected credit losses *(RMB'000)* | — | — | — | — | — |

**31 December 2018**

| | **Within 1 year** | **Over 1 year and within 2 years** | **Over 2 years and within 3 years** | **Over 3 years** | **Total** |
|---|---|---|---|---|---|
| Expected credit loss rate | — | — | — | — | |
| Gross carrying amount *(RMB'000)* | 2,028 | 20 | 279 | 5 | 2,332 |
| Expected credit losses *(RMB'000)* | — | — | — | — | — |

**30 September 2019**

| | **Within 1 year** | **Over 1 year and within 2 years** | **Over 2 years and within 3 years** | **Over 3 years** | **Total** |
|---|---|---|---|---|---|
| Expected credit loss rate | 0.28% | 6.82% | 10.85% | 34.72% | |
| Gross carrying amount *(RMB'000)* | 2,454 | 17 | 11 | 192 | 2,674 |
| Expected credit losses *(RMB'000)* | 7 | 1 | 1 | 67 | 76 |

## 16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments | 346 | 414 | 350 | 474 |
| Other deposits *(note 25)* | 91 | 80 | 80 | 60 |
| Advance to staff *(note 25)* | 109 | 108 | 108 | 118 |
| Other receivables *(note 25)* | 107 | 138 | 88 | 100 |
| | 653 | 740 | 626 | 752 |

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

## 17. CASH AND CASH EQUIVALENTS

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank balances | 24,381 | 38,350 | 44,302 | 41,133 |
| Cash and cash equivalents | 24,381 | 38,350 | 44,302 | 41,133 |

At 31 December 2016, 2017 and 2018 and 30 September 2019, all the cash and bank balances of the Target Company were 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 with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

## 18. TRADE PAYABLES

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

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 4,156 | 4,839 | 5,098 | 3,871 |
| Over 1 year | 356 | 400 | 381 | 396 |
| | 4,512 | 5,239 | 5,479 | 4,276 |

The trade payables are interest-free and normally settled on terms of 30 to 90 days.

## 19. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Construction payable *(note 25)* | 7,277 | 7,278 | 7,270 | 9,573 |
| Payable to the Administrator *(note 25)* | — | — | — | 26,474 |
| Interest payable *(note 25)* | 32,925 | 32,925 | 32,925 | 32,925 |
| Advances from employees *(note 25)* | 5,158 | 5,158 | 5,158 | 5,158 |
| Other tax and surcharges | 900 | 898 | 134 | 1,231 |
| Payroll and welfare payable | 4,704 | 4,498 | 4,678 | 4,149 |
| Others *(note 25)* | 650 | 583 | 445 | 755 |
| | 51,614 | 51,340 | 50,610 | 80,265 |

Other payables are unsecured and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

## 20. CONTRACT LIABILITIES

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract liabilities | 6,161 | 7,550 | 6,051 | 6,407 |

The Target Company receives payments from customers based on billing schedules. Payments are usually received in advance of the performance under the contracts which are mainly from hotel operations services. According to the business model of the Target Company, for revenue recognised from the provision of hotel operations services, all such revenue was carried forward from contract liabilities during the Relevant Periods.

The expected timing of recognition of revenue at the end of each of the Relevant Periods is as follows:

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 6,161 | 7,550 | 6,051 | 6,407 |

The following table shows the revenue recognised during the Relevant Periods related to carried-forward contract liabilities:

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue recognised that was included in the contract liability balance at the beginning of the year/period | | | | |
| Revenue from hotel rooms | 2,535 | 2,986 | 3,186 | 2,489 |
| Revenue from food and beverage | 2,289 | 2,882 | 4,018 | 3,190 |
| Revenue from others | 210 | 293 | 346 | 372 |

## 21. INTEREST-BEARING BANK BORROWINGS

**Bank borrowings**

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Analysed into:** | | | | |
| Repayable on demand | 340,000 | 340,000 | 340,000 | 340,000 |

The Target Company's borrowings are all denominated in RMB with fixed annual interest rates from 1.94% to 8.00%.

Certain of the Target Company's bank loans are secured by the Target Company's buildings and prepaid land lease payments. Details were shown in notes 12 and 13.

At 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019, Yang Dingguo, the former controlling shareholder of the Target Company, has guaranteed all of the Group's bank loans.

The fair values of interest-bearing bank and other borrowings are based on the discounted cash flow approach using the prevailing market rates of interest available to the Target Company for financial instruments with substantially the same terms and characteristics at the end of each of the Relevant Periods. The fair values of these borrowings were shown in note 26.

## 22. SHARE CAPITAL

| | *RMB'000* |
|---|---|
| **Issued and fully paid:** | |
| As at 31 December 2016, 2017 and 2018 and 30 September 2019 | 50,000 |

## 23. RESERVES

The amounts of the Target Company's reserves and the movements therein for the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2019 are presented in the statements of changes in equity.

## 24. NOTE TO THE STATEMENTS OF CASH FLOWS

**Changes in liabilities arising from financing activities**

| | **Lease liabilities** *RMB'000* |
|---|---|
| At 1 January 2016 | — |
| Cash flows from financing activities | — |
| At 31 December 2016 | — |
| Cash flows from financing activities | — |
| At 31 December 2017 | — |
| New leases | 535 |
| Cash flows from financing activities | (102) |
| At 31 December 2018 | 433 |
| Cash flows from financing activities | (168) |
| At 30 September 2019 | 265 |

## 25. 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:

**30 September 2019**

*Financial assets*

| | **Financial assets at amortised cost** *RMB'000* |
|---|---|
| Financial assets included in prepayments, deposits and other receivables *(note 16)* | 278 |
| Trade receivables *(note 15)* | 2,598 |
| Cash and cash equivalents *(note 17)* | 41,133 |
| | 44,009 |

*Financial liabilities*

| | **Financial liabilities at amortised cost** *RMB'000* |
|---|---|
| Trade payables *(note 18)* | 4,276 |
| Financial liabilities included in other payables, deposits received and accruals *(note 19)* | 75,785 |
| Interest-bearing bank borrowings *(note 21)* | 340,000 |
| Other liabilities-non-current | 359 |
| Lease liabilities *(note 13)* | 290 |
| | 420,710 |

**31 December 2018**

*Financial assets*

| | **Financial assets at amortised cost** *RMB'000* |
|---|---|
| Financial assets included in prepayments, deposits and other receivables *(note 16)* | 276 |
| Trade receivables *(note 15)* | 2,332 |
| Cash and cash equivalents *(note 17)* | 44,302 |
| | 46,910 |

*Financial liabilities*

| | **Financial liabilities at amortised cost** *RMB'000* |
|---|---|
| Trade payables *(note 18)* | 5,479 |
| Financial liabilities included in other payables, deposits received and accruals *(note 19)* | 46,698 |
| Interest-bearing bank borrowings *(note 21)* | 340,000 |
| Other liabilities-non-current | 650 |
| Lease liabilities *(note 13)* | 445 |
| | 393,272 |

**31 December 2017**

*Financial assets*

| | **Financial assets at amortised cost** *RMB'000* |
|---|---|
| Financial assets included in prepayments, deposits and other receivables *(note 16)* | 326 |
| Trade receivables *(note 15)* | 4,046 |
| Cash and cash equivalents *(note 17)* | 38,350 |
| | 42,722 |

*Financial liabilities*

| | **Financial liabilities at amortised cost** *RMB'000* |
|---|---|
| Trade payables *(note 18)* | 5,239 |
| Financial liabilities included in other payables, deposits received and accruals *(note 19)* | 46,844 |
| Interest-bearing bank borrowings *(note 21)* | 340,000 |
| Other liabilities-non-current | 686 |
| | 392,769 |

**31 December 2016**

*Financial assets*

| | **Financial assets at amortised cost** *RMB'000* |
|---|---|
| Financial assets included in prepayments, deposits and other receivables *(note 16)* | 307 |
| Trade receivables *(note 15)* | 2,572 |
| Cash and cash equivalents *(note 17)* | 24,381 |
| | 27,260 |

*Financial liabilities*

| | **Financial liabilities at amortised cost** *RMB'000* |
|---|---|
| Trade payables *(note 18)* | 4,512 |
| Financial liabilities included in other payables, deposits received and accruals *(note 19)* | 46,910 |
| Interest-bearing bank borrowings *(note 21)* | 340,000 |
| Other liabilities-non-current | 677 |
| | 392,099 |

## 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, deposits received and accruals, interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments mainly include cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, deposits received and accruals and lease liabilities which arise directly from its operations. The Target Company has other financial assets and liabilities such as interest-bearing bank borrowings. 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 interest rate risk, 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 board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

### (a) Interest rate risk

The Target Company's exposure to risk of changes in market interest rates relates primarily to the Target Company's interest-bearing bank borrowings set out in note 21. The Target Company does not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings with a fixed rate.

### (b) Credit risk

The carrying amounts of cash and cash equivalents, trade receivables and financial assets included in prepayments, deposits and other receivables included in the statements of financial position represent the Target Company's maximum exposure to credit risk in relation to its financial assets as at the end of each of the Relevant Periods.

At the end of each of the Relevant Periods, all cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

The Target Company classifies financial instruments on the basis of shared credit risk characteristics, such as instrument types and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment.

To manage risk arising from trade receivables, the Target Company has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Target Company's counterparties. The credit period granted to the customers is generally from one to three months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Target Company also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Target Company reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Target Company has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Target Company applies the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses also incorporate forward-looking information based on key economic variables such as consumer price index.

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event; and
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

The Target Company has established a policy to perform an assessment for the period beginning on 1 January 2018, of whether a financial instrument has a significant increase in credit risk since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Target Company classifies its other receivables and amounts due from related companies into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1 When other receivables and amounts due from related companies are first recognised, the Target Company recognises an allowance based on 12 months' ECLs.

Stage 2 When other receivables and amounts due from related companies have shown a significant increase in credit risk since origination, the Target Company records an allowance for the lifetime ECLs.

Stage 3 When other receivables and amounts due from related companies are considered credit-impaired, the Target Company records an allowance for the lifetime ECLs.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Target Company has classified financial assets included in prepayments, deposits and other receivables in stage 1 and continuously monitors their credit risk. The Target Company used the expected credit loss rate of 0.01%, considering the default probability and recovery probability, to estimate the impairment of financial assets included in prepayments, deposits and other receivables. The directors of the Target Company believe that there is no material credit risk inherent in the Target Company's outstanding balance of financial assets included in prepayments, deposits and other receivables and no provisions were recognised.

**(c) Liquidity risk**

The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

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

| | **On demand** | **Less than 3 months** | **3 to 12 months** | **Over 1 year** | **Total** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **30 September 2019** | | | | | |
| Interest-bearing bank borrowings | 340,000 | — | — | — | 340,000 |
| Lease liabilities | — | 43 | 130 | 130 | 303 |
| Trade payables | 4,276 | — | — | — | 4,276 |
| Other payables | 75,785 | — | — | — | 75,785 |
| Other liabilities | — | — | — | 359 | 359 |
| | 420,061 | 43 | 130 | 489 | 420,723 |

| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to 12 months RMB'000 | Over 1 year RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **31 December 2018** | | | | | |
| Interest-bearing bank borrowings | 340,000 | — | — | — | 340,000 |
| Lease liabilities | — | 54 | 158 | 259 | 471 |
| Trade payables | 5,479 | — | — | — | 5,479 |
| Other payables | 46,698 | — | — | — | 46,698 |
| Other liabilities | — | — | — | 650 | 650 |
| | 392,177 | 54 | 158 | 909 | 393,298 |
| **31 December 2017** | | | | | |
| Interest-bearing bank borrowings | 340,000 | — | — | — | 340,000 |
| Trade payables | 5,239 | — | — | — | 5,239 |
| Other payables | 46,844 | — | — | — | 46,844 |
| Other liabilities | — | — | — | 686 | 686 |
| | 392,083 | — | — | 686 | 392,769 |
| **31 December 2016** | | | | | |
| Interest-bearing bank borrowings | 340,000 | — | — | — | 340,000 |
| Trade payables | 4,512 | — | — | — | 4,512 |
| Other payables | 46,910 | — | — | — | 46,910 |
| Other liabilities | — | — | — | 677 | 677 |
| | 391,422 | — | — | 677 | 392,099 |

**(d) 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 monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Target Company includes, within net debt, interest-bearing bank borrowings, trade payables, other payables, deposits received and accruals, lease liabilities and other liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

| | 31 December | | | 30 September |
|---|---|---|---|---|
| | **2016** | **2017** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing bank borrowings | 340,000 | 340,000 | 340,000 | 340,000 |
| Trade payables | 4,512 | 5,239 | 5,479 | 4,276 |
| Other payables, deposits received and accruals | 51,614 | 51,340 | 50,610 | 80,265 |
| Lease liabilities | — | — | 445 | 290 |
| Other liabilities | 677 | 686 | 650 | 359 |
| Less: Cash and cash equivalents | (24,381) | (38,350) | (44,302) | (41,133) |
| Net debt | 372,422 | 358,915 | 352,882 | 384,057 |
| Deficit | (229,222) | (226,793) | (229,850) | (267,728) |
| Gearing ratio | N/A | N/A | N/A | N/A |

## 28. SUBSEQUENT EVENT

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Target Company after 30 September 2019.

## 29. SUBSEQUENT FINANCIAL STATEMENTS

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

Set out below is the management discussion and analysis of Wonderland Hotel Company for the three financial years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019. The discussion and analysis relate to the results and financial position of Wonderland Hotel Company. You should read the discussion and analysis together with the respective financial information of Wonderland Hotel Company as of and for each of the three years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 and the accompanying notes thereto, which is set forth in the Accountants' Report in Appendix II to this Circular. The Accountants' Report on Wonderland Hotel Company has been prepared in accordance with IFRS on such basis as is set forth in note 2.1 to the financial information in the Accountants' Report.

## 1. BUSINESS REVIEW

Wonderland Hotel Company is a company established in the PRC with limited liability and is principally engaged in operation of hotel business and related entertainment amenities, including swimming pool, sauna, large-scale restaurant. It, together with Zhejiang Lin'an Zhongdu Properties and the 17 Non-Target Companies, entered into winding up proceedings due to insolvency in 2014 and adjudicated bankrupt by the Yuhang Court in November 2016 and thereafter by the Hangzhou People's court in March 2017 and, together with Zhejiang Lin'an Zhongdu Properties and the 17 Non-Target Companies as a whole package, was ordered for restructuring by the Yuhang Court in November 2017. Wonderland Hotel Company has been operating the Hangzhou Zhongdu Qingshan Wonderland Hotel situated at No.88 Shengyuan Road, Jincheng Street, Lin'an District, Zhejiang Province, the PRC. Opened in December 2007, Hangzhou Zhongdu Qingshan Wonderland Hotel was the first ecotypic and commercial resort hotel constructed pursuant to the standard of five-star hotel in Lin'an District. Hangzhou Zhongdu Qingshan Wonderland Hotel is only 30-minute drive from downtown of Hangzhou City, 50-minute drive from Hangzhou International Airport. Guests from Shanghai can directly arrive at Hangzhou Zhongdu Qingshan Wonderland Hotel from Shanghai-Hangzhou expressway to Anhui-Hangzhou expressway, while passing through Hangzhou Ring Road in between. Hangzhou Zhongdu Qingshan Wonderland Hotel has 242 guestrooms, with 80% of which enjoy lake view of the Lin'an Lake. The land on which Hangzhou Zhongdu Qingshan Wonderland Hotel was built, i.e., Wonderland Hotel Land, and the buildings and fixtures of Hangzhou Zhongdu Qingshan Wonderland Hotel, are the major assets of Wonderland Hotel Company. The Wonderland Hotel Land is located at No.88 Shengyuan Road, Jincheng Street, Lin'an District, Hangzhou City, Zhejiang Province, the PRC and has a total site area of 40,482.7 sq. m., with further particulars set out in the Property Valuation Report, the text of which is set out in Appendix V to this circular.

The revenue of Wonderland Hotel Company during the three years ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2019 remained largely stable. It made a loss for the years ended 31 December 2016 and 2018 and the nine months ended 30 September 2019, while it recorded a profit for the year ended 31 December 2017. Its loss for the nine months ended 30 September 2019 was significantly higher when compared with the corresponding period in 2018, mainly due to the substantial increase in administrative expenses being costs and expenses incurred as result of its restructuring as ordered by the Yuhang Court.

As a result of the implementation of the Restructuring Plan and as contemplated under the Restructuring Agreement, the entire equity interest of Wonderland Hotel Company together with all the rights to manage its assets of was transferred to the Group on 9 October 2019.

While, the hotel room occupancy rates and business performance of Wonderland Hotel Company had remained steady in 2019, it is now facing a new challenge due to the novel coronavirus outbreak since January 2020. In the short term, the business performance of Wonderland Hotel Company would inevitably be hit hard as a direct result of loss of tourism during the epidemic. While the hotel services have gradually resumed in March 2020 and are operating largely as usual, Wonderland Hotel Company has implemented measures including epidemic prevention and control, including cancellation and rescheduling of services for customers to ensure the health and safety of customers and employees. Its management pays great attention to the development of the epidemic and makes every effort on epidemic prevention and control, and daily operation management and will continue to closely monitor its exposure to the risks and uncertainties in connection with the epidemic.

During this year, Wonderland Hotel Company has been working on various strategies to strive for increasing occupancy rates and improving its business performance, including but not limited to (i) strengthen the collaboration relationship with third party popular online travelling booking platforms such as Ctrip (攜程) and Fliggy (飛豬), such as provide more reserved rooms to such online channels to ensure the unobstructed access of such booking channels by customers and minimise the risk of over-booking and better manage the availability of rooms through such online distribution channels; (ii) implement pre-payment arrangements to improve supervision of retail prices and thereby ensuring the reasonableness of retail prices; (iii) continue to attract and maintain corporate accommodation agreements tailored for the specific needs of corporate guests, and implement additional benefits and rewards to Gold Card Members so as to build and maintain customer loyalty; (iv) increase flexibility in pricing strategies for corporate guests and provide good value for money and comprehensive package services, and to focus on the local market while strive to expand business to nearby areas such as Shanghai and the Jiangsu Province.

Given the circumstances, Wonderland Hotel Company is not making an overly pessimistic market recovery prediction but is adopting realistic pricing and marketing strategy adjustments during this recovery period, which include but not limited to (a) negotiating for price adjustments with corporate customers and giving additional discounts and benefits for consecutive nights stays with the hope to attract nearby business travelers and corporate customers, and implement more competitive pricing discounts in collaboration with popular online channels such as Ctrip (攜程) and Fliggy (飛豬) during the epidemic; (b) apart from business-as-usual revenue streams, Wonderland Hotel Company is also developing diversified products and services for the Hangzhou Zhongdu Qingshan Wonderland Hotel, such as meal delivery to nearby residential areas and corporate customers, offer sightseeing packages by collaborating with nearby tourist destinations, implement marketing and promotional policies specifically for wedding and event packages to expand customer base, etc.

It is the intention of the Group that it would continue with the business operation of the Hangzhou Zhongdu Qingshan Wonderland Hotel and in future the Company may dispose of the equity interest of Wonderland Hotel Company to realise this investment should suitable opportunities arise.

## 2. REVIEW OF FINANCIAL RESULTS

### Revenue

The revenue of Wonderland Hotel Company is mainly generated from renting of hotel rooms and food and beverages. Revenue increased lightly by approximately 7.24% from approximately RMB55,600,000 in 2016 to RMB59,625,000 in 2017, primarily due to growth in occupancy rates of hotel rooms, and decreased by approximately 7.95% from approximately RMB59,625,000 in 2017 to RMB54,884,000 in 2018, primarily due to decrease in occupancy rates of hotel rooms. For the nine months ended 30 September 2019 in comparison to the corresponding period in 2018, revenue decreased by approximately 16.50% from approximately RMB39,631,000 to RMB33,092,000, which was relatively stable.

### Cost of sales

The cost of sales mainly consisted of cost of hotel rooms operations including mainly raw materials and staff costs, which decreased from approximately RMB44,622,000 in 2016 to RMB40,974,000 in 2017, and increased to approximately RMB42,363,000 in 2018, and for the nine months ended 30 September 2019, cost of sales was RMB30,121,000, being slightly lower than that of RMB31,286,000 in the corresponding period in 2018.

### Gross profit

For the aforesaid reasons, the gross profit increased from approximately RMB10,978,000 in 2016 to RMB18,651,000 in 2017, and decreased to approximately RMB12,521,000 in 2018, and for the nine months ended 30 September 2019 in comparison to the corresponding period in 2018, gross profit decreased from approximately RMB8,345,000 to RMB2,971,000.

### Other income and gains

Other income and gains remained stable in 2016 and 2017 at approximately RMB80,000 and RMB93,000, respectively, and increased to RMB580,000 in 2018, primarily due to government grants of RMB461,000 received in 2018. For the nine months ended 30 September 2019 in comparison to the corresponding period in 2018, other income and gains increased from approximately RMB87,000 to RMB1,155,000, due to government grant of RMB 975,000 received during such period.

**Selling and distribution expenses**

Selling and distribution expenses, consisted primarily of staff costs, travelling expenses, promotion and advertisement expenses, etc., remained relatively stable in 2016, 2017 and 2018 at approximately RMB1,234,000, RMB1,483,000 and RMB1,467,000, respectively, and decreased slightly from RMB1,095,000 to RMB732,000 for the nine months ended 30 September 2019 as compared with the corresponding period in 2018.

**Administrative expenses**

Administrative expenses, consisted primarily of staff costs, property tax, repair and maintenance, manpower dispatch agency fees and staff benefits, etc., remained relatively stable in 2016, 2017 and 2018 at approximately RMB14,542,000, RMB14,716,000 and RMB14,579,000, respectively, and increased significantly to RMB41,120,000 for the nine months ended 30 September 2019 from RMB10,525,000 for the corresponding period in 2018, primarily due to approximately RMB26,474,000 restructuring fees incurred in 2019.

**Other expenses**

Other expenses consisted primarily of disposal loss of fixed assets and fines, etc..

**(Loss)/profit before tax**

Due to the reasons discussed above, Wonderland Hotel Company incurred loss before tax for each of the years ended 31 December 2016 and 2018 and the nine months ended 30 September 2019, while it recorded a profit before tax for the year ended 31 December 2017.

**Income tax expense**

Income tax expense reflected the income tax paid and payable by Wonderland Hotel Company for the relevant year/period and applicable income tax rate in the PRC was 25% for each year/period during the Reporting Period. However, Wonderland Hotel Company did not incur any income tax expense during the Reporting Period as it recorded loss for each of the years ended 31 December 2016 and 2018 and the nine months ended 30 September 2019, and as a result of the recognition of tax losses utilised from previous periods in the year ended 31 December 2017.

**(Loss)/Profit and total comprehensive (expense)/income for the year/period**

Due to the reasons discussed above, Wonderland Hotel Company had loss and total comprehensive expense for each of the years ended 31 December 2016 and 2018 and the nine months ended 30 September 2019, while it recorded a total comprehensive income for the year ended 31 December 2017.

## 3. LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

During the Reporting Period, Wonderland Hotel Company funded its business operations mainly through cash generated from its operations and through external financing primarily consisted of bank borrowings. Its primary uses of cash for (i) the payment of raw materials, (ii) staff costs; and (iii) various operating expenses.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, Wonderland Hotel Company had outstanding interest-bearing borrowings of RMB340,000,000, and it had cash and bank balances of approximately RMB24,381,000, RMB38,350,000, RMB44,302,000 and RMB41,133,000, respectively. All the cash and bank balances were denominated in RMB and cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2016, 2017 and 2018 and 30 September 2019, Wonderland Hotel Company had net liabilities of approximately RMB229,222,000, RMB226,793,000, RMB229,850,000 and RMB267,728,000, respectively.

Its bank borrowings are all denominated in RMB with fixed interest rates at annual interest rates ranging from 1.94% to 8.00% and repayable on demand. Certain of its bank loans are secured by its owned buildings and right-of-use assets, with details shown in Notes 12 and 13 to the Accountant's Report for Wonderland Hotel Company as set out in Appendix II to this circular. As at 31 December 2016, 2017 and 2018 and 30 September 2019, all its bank loans were guaranteed by its former controlling shareholder. Pursuant to the Restructuring plan, the Administrator shall procure all such guarantees provided by its former controlling shareholder be released as part of the Restructuring.

As at 30 September 2019, Wonderland Hotel Company's current liabilities exceeded its current assets by RMB385,537,000, primarily due to the debts incurred by it before the Restructuring.

In view of the net current liabilities position, the Directors have considered the future liquidity and performance of Wonderland Hotel Company and its available sources of finance in assessing whether Wonderland Hotel Company will have sufficient financial resources to continue as a going concern. The consideration paid by the Group as the Restructuring Investor in the Restructuring plan of Wonderland Hotel Company will be used to settle the debts incurred before the bankruptcy Restructuring. The Directors have reviewed Wonderland Hotel Company's cash flow forecast prepared by management which covers a period of 12 months from the end of the Reporting Period. Having considered the cash flows from operations and its available resource of finance, the Directors are of the opinion that Wonderland Hotel Company is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare its historical financial information on a going concern basis.

### Gearing Ratio

The gearing ratio (which is measured by its net debt divided by its total capital plus net debt) is not applicable to Wonderland Hotel Company as Wonderland Hotel Company had a net deficiency in equity as at 31 December 2016, 2017 and 2018 and 30 September 2019.

### Capital Structure

Details of the capital structure of Wonderland Hotel Company are set out in Note 22 to the Accountant's Report for Wonderland Hotel Company as set out in Appendix IIB to this circular.

## 4. FUTURE PLANS FOR MATERIAL INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

As at the Latest Practicable Date, save as disclosed above, Wonderland Hotel Company did not have any future plan for material investments or addition of capital assets for the year ending 31 December 2020.

## 5. EMPLOYEES AND REMUNERATION POLICIES

During each of the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019, Wonderland Hotel Company had an average of 341, 335, 326 and 323 employees, respectively, and the total remunerations to employees were approximately RMB16,343,000, RMB16,432,000, RMB17,013,000 and RMB12,748,000, respectively. It is the policy of Wonderland Hotel Company that remuneration of the employees should be in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees included social insurance, retirement schemes and training programs.

## 6. CHARGES ON ASSETS

As at 31 December 2016, 2017 and 2018 and 30 September 2019, certain of the buildings owned by Wonderland Hotel Company with a net carrying amount of approximately RMB80,994,000, RMB74,256,000, RMB66,073,000 and RMB60,012,000, respectively, were pledged to secure general banking facilities granted to Wonderland Hotel Company, with further details set out in Note 21 to the financial information in the Accountant's Report for Wonderland Hotel Company set out in Appendix II to this circular.

## 7. FOREIGN EXCHANGE EXPOSURE

The revenue and operating costs of Wonderland Hotel Company were principally denominated in RMB, and as such the exposure to the risk of foreign exchange rate fluctuations for Wonderland Hotel Company was minimal. Hence, no financial instrument for hedging was employed by Wonderland Hotel Company.

## 8. SIGNIFICANT INVESTMENTS

There were no significant investments held by Wonderland Hotel Company during the Reporting Period.

## 9. MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisitions or disposals of subsidiaries or associated companies conducted by Wonderland Hotel Company during the Reporting Period.

## 10. CONTINGENT LIABILITIES

As at 31 December 2016, 2017 and 2018 and 30 September 2019, Wonderland Hotel Company did not have material contingent liabilities.

*The following is the text of a report on the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of this circular.*

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

27 March 2020

To the Directors of Yincheng International Holding Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yincheng International Holding Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared 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 assets and liabilities as at 30 June 2019 and related notes as set out in Appendix IV to the circular dated 27 March 2020 (the "Circular") issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the acquisition of the entire equity interests in Hangzhou Zhongdu Qingshan Wonderland Hotel Company Limited (杭州中都青山湖畔大酒店有限公司, "Wonderland Hotel Company") and Zhejiang Li'nan Zhongdu Properties Limited (浙江臨安中都置業有限公司, "Zhejiang Lin'an Zhongdu Properties"), (collectively known as the "Target Companies"). Upon the completion of the acquisition, the Company effectively holds 100% equity interests in the Target Companies. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of the Target Companies on the Group's assets and liabilities as at 30 June 2019 as if the acquisition of the Target Companies had taken place on 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 condensed financial information for the six months period ended 30 June 2019 as set out in the published interim report of the Company dated 26 September 2019.

**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 of the Target Companies on unadjusted financial information of the Group as if the acquisition of the Target Companies 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 of the Target Companies 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 Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the acquisition of the Target Companies, 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 of the Target Companies 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 compiled on the basis stated;

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

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

*Certified Public Accountants*
Hong Kong

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

## INTRODUCTION

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group as enlarged as if the acquisition of the Target Companies (hereafter collectively called as ''the Enlarged Group'') had been completed. We adopt the same defined terms as referred to in the circular issued by the Company on 27 March 2020 (the "Circular"). The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group should be read in conjunction with other information included elsewhere in this Circular.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only, based on their judgments, estimations and assumptions, on the basis and notes set forth below for the purpose of illustrating the effects of the acquisition of the entire equity interests in the Target Companies comprising Wonderland Hotel Company and Zhejiang Li'nan Zhongdu Properties as if the acquisition of the Target Companies had been completed on 30 June 2019.

Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the acquisition been completed on 30 June 2019 or any future dates.

### Basis of preparation

The directors of the Company referred to in the Circular that as a result of the various agreements entered into by the Group and the relevant parties, the Group will in effect acquire the Target Companies at a Net Acquisition Consideration of RMB2,430 million, excluding transaction costs.

For the purpose of unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, the acquisition of Wonderland Hotel Company is accounted for under a business combination and the acquisition of Zhejiang Lin'an Zhongdu Properties is accounted for as an acquisition of assets which does not involve a business pursuant to the relevant agreements entered into by the Group as set out in the Circular.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2019 included in the published 2019 interim report of the Company and the statement of financial position of Wonderland Hotel Company as at 30 September 2019 as set out in the accountants' report of Wonderland Hotel Company in Appendix II to this Circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

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

| | The Group as at 30 June 2019 | Wonderland Hotel Company as at 30 September 2019 | Pro forma adjustments | | | Unaudited Pro forma total for the Enlarged Group as at 30 June 2019 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 2* | *Note 3* | *Note 4* | *Note 5* | |
| **NON-CURRENT ASSETS** | | | | | | |
| Property, plant and equipment | 504,766 | 111,944 | — | — | 51,095 | 667,805 |
| Right-of-use assets | 15,756 | 6,351 | — | — | 3,042 | 25,149 |
| Investment properties | 812,100 | — | — | — | — | 812,100 |
| Prepaid land lease payments in other right-of-use assets | 255,710 | — | — | — | — | 255,710 |
| Intangible assets | 6,048 | — | — | — | — | 6,048 |
| Investment in joint ventures | 86,688 | — | — | — | — | 86,688 |
| Investment in associates | 365,576 | — | — | — | — | 365,576 |
| Deferred tax assets | 213,689 | — | — | — | — | 213,689 |
| Financial assets at fair value through other comprehensive income | 150,623 | — | — | — | — | 150,623 |
| Total non-current assets | 2,410,956 | 118,295 | — | — | 54,137 | 2,583,388 |
| **CURRENT ASSETS** | | | | | | |
| Property under development | 17,738,912 | — | — | 2,287,158 | — | 20,026,070 |
| Completed properties held for sale | 1,924,567 | — | — | 497,200 | — | 2,421,767 |
| Trade receivables | 4,151 | 2,598 | — | — | — | 6,749 |
| Due from related companies | 812,610 | — | — | — | — | 812,610 |
| Prepaid land lease payments in other right-of-use assets | 5,440 | — | — | — | — | 5,440 |
| Right-of-use assets | — | 247 | — | — | — | 247 |
| Prepayments, deposits and other receivables | 2,261,265 | 752 | (500,000) | — | — | 1,762,017 |
| Tax recoverable | 216,083 | — | — | — | — | 216,083 |
| Inventories | — | 844 | — | — | — | 844 |
| Restricted cash | 765,127 | — | — | — | — | 765,127 |
| Pledged deposits | 106,375 | — | — | — | — | 106,375 |
| Cash and cash equivalents | 4,608,227 | 41,133 | (1,930,000) | — | — | 2,719,360 |
| Total current assets | 28,442,757 | 45,574 | (2,430,000) | 2,784,358 | — | 28,842,689 |

| | The Group as at 30 June 2019 | Wonderland Hotel Company as at 30 September 2019 | Pro forma adjustments | | | Unaudited Pro forma total for the Enlarged Group as at 30 June 2019 |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 2* | *Note 3* | *Note 4* | *Note 5* | |
| **CURRENT LIABILITIES** | | | | | | |
| Trade and bills payables | 2,400,493 | 4,276 | — | — | — | 2,404,769 |
| Other payables, deposits received and accruals | 4,494,626 | 80,265 | 2,247 | — | (45,601) | 4,531,537 |
| Contract liabilities | 8,179,925 | 6,407 | — | — | — | 8,186,332 |
| Due to related companies | 937,234 | — | — | — | — | 937,234 |
| Interest-bearing bank loans and other borrowings | 4,274,299 | 340,000 | — | — | (340,000) | 4,274,299 |
| Tax payable | 723,595 | — | — | — | — | 723,595 |
| Financial guarantee contracts | 6,289 | — | — | — | — | 6,289 |
| Lease liabilities | 11,450 | 163 | — | — | — | 11,613 |
| Total current liabilities | 21,027,911 | 431,111 | 2,247 | — | (385,601) | 21,075,668 |
| **NET CURRENT ASSETS/ (LIABILITIES)** | 7,414,846 | (385,537) | (2,432,247) | 2,784,358 | 385,601 | 7,767,021 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | 9,825,802 | (267,242) | (2,432,247) | 2,784,358 | 439,738 | 10,350,409 |
| **NON-CURRENT LIABILITIES** | | | | | | |
| Interest-bearing bank Loans and other borrowings | 6,100,138 | — | — | — | — | 6,100,138 |
| Deferred tax liabilities | 418,176 | — | — | 512,861 | 13,534 | 944,571 |
| Financial guarantee contracts | 9,433 | — | — | — | — | 9,433 |
| Other liabilities | — | 359 | — | — | — | 359 |
| Lease liabilities | 5,858 | 127 | — | — | — | 5,985 |
| Total non-current liabilities | 6,533,605 | 486 | — | 512,861 | 13,534 | 7,060,486 |
| **NET ASSETS/(DEFICITS)** | 3,292,197 | (267,728) | (2,432,247) | 2,271,497 | 426,204 | 3,289,923 |

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

1. The balances are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2019 as set out in the published interim report of the Company for the six months ended 30 June 2019.

2. The balances are extracted from the statement of financial position of Wonderland Hotel Company as at 30 September 2019 as set out in the accountants' report of Wonderland Hotel Company in Appendix II to this Circular.

3. It represents the Net Acquisition Consideration paid by the Group for the acquisition of the Target Companies from an advance deposit of RMB500,000,000 and the cash and bank balances of RMB1,930,000,000. Including therein also the estimated transaction cost payable of RMB2,247,000 in relation to this acquisition.

4. It represents the recognition of the purchased assets through the acquisition of Zhejiang Lin'an Zhongdu Properties and a deferred tax liability arising from temporary differences between the respective fair values and taxable carrying amounts. The values of the purchased assets are made reference to the respective market value at 30 September 2019 obtained from a valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, dated 24 March 2020.

5. It represents the estimated fair value adjustment on the identifiable assets and liabilities of Wonderland Hotel Company which are made reference to the respective market values at 30 September 2019 obtained from the valuation report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated 24 March 2020 and a deferred tax liability arising from temporary differences between the respective fair values and taxable carrying amounts. The adjustment also includes an exclusion of a loan of RMB340 million and payables of RMB46 million pursuant to the Restructuring Investment Agreement that the Administrator agrees to repay the loan and payables in full amount upon the completion of the respective acquisition.

*The following is the text of a letter and summary of values, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 December 2019 of the properties held by Zhejiang Lin'an Zhongdu Properties and Wonderland Hotel Company.*

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**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**
7/F One Taikoo Place, 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

27 March 2020

The Board of Directors
**Yincheng International Holding Co., Ltd. (the "Company")**
Part of 19–21 Floors
Block A Yincheng Plaza
No. 289 Jiangdong North Road, Nanjing City
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the property interests held by Zhejiang Lin'an Zhongdu Properties Limited (浙江臨安中都置業有限公司, "Zhejiang Lin'an Zhongdu Properties") and Hangzhou Zhongdu Qingshan Wonderland Hotel Company Limited (杭州中都青山湖畔大酒店有限公司, "Wonderland Hotel Company"), hereafter together known as the "Target Companies", in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 December 2019 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests in Group I which are held for sale and Group IV which are held for future development by Zhejiang Lin'an Zhongdu Properties by the comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

We have valued the property interest in Group II which is held for operation by Wonderland Hotel Company by the Discounted Cash Flow ("DCF") approach which derives the market value by discounting the future net cash flow until the end of the unexpired land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. We have prepared a 10-year cash flow forecast with reference to the current and anticipated market conditions.

In valuing portions of the property interest in Group III which was under development as at the valuation date by Zhejiang Lin'an Zhongdu Properties, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by Zhejiang Lin'an Zhongdu Properties according to the different stages of construction of the property as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the property interest in Group V which is contracted to be acquired by Zhejiang Lin'an Zhongdu Properties, Zhejiang Lin'an Zhongdu Properties has entered into agreements with the relevant government authorities. Since the Group has not yet obtained the State-owned Land Use Rights Certificate as at the valuation date, we have attributed no commercial value to the property interest.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

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

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and the Target Companies and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of State-owned Land Use Rights Certificates, Building Ownership Certificates, Construction Land Planning Permits, Land use Rights Certificates, Construction Work Planning Permits, Construction Work Commencement Permits, Pre-sale permits and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — Zhejiang T&C Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

The site inspection was carried out in March 2020 by Ms. Queena Qiao who has 4 years' valuation experience in the real estate industry of the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the Target Companies. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that since the valuation date, the outbreak of Novel Coronavirus (COVID-19) has caused significant disruption to economic activities around the world. This disruption has increased the risk of the rental/income assumptions, which were prepared by us in our valuation without the assumptions of a pandemic, not being achieved. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the report date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result it causes volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property. Readers are reminded that we do not intend to provide an opinion of value as of any date after the valuation date in this report.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached.

Yours faithfully,
For and on behalf of
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**
**Eddie T. W. Yiu**
*MRICS MHKIS RPS (GP)*
*Senior Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

**Abbreviation:**

Group I: Properties held for sale by the Target Companies in the PRC

Group II: Properties held for operation by the Target Companies in the PRC

Group III: Properties held under development by the Target Companies in the PRC

Group IV: Properties held for future development by the Target Companies in the PRC

Group V: Properties contracted to be acquired by the Target Companies in the PRC

— : Not Available or Not Applicable

| No. | Property | Market value in existing state as at 31 December 2019 *RMB* Group I: | Market value in existing state as at 31 December 2019 *RMB* Group II: | Market value in existing state as at 31 December 2019 *RMB* Group III: | Market value in existing state as at 31 December 2019 *RMB* Group IV: | Market value in existing state as at 31 December 2019 *RMB* Group V: | The total market value in existing state as at 31 December 2019 *RMB* |
|---|---|---|---|---|---|---|---|
| 1 | Portions of Lin'an project located at the southern side of Wushan Street, the northern side of Qianwang Street, the eastern side of Qianjin Avenue and the western side of Shengyuan Road Lin'an District, Hangzhou City, Zhejiang Province, The PRC | 346,200,000 | — | 367,400,000 | 1,915,000,000 | No commercial value | 2,628,600,000 |
| 2 | Qingshan Wonderland Hotel located at No. 88 Shengyuan Road, Jincheng Street Lin'an District, Hangzhou City, Zhejiang Province, The PRC | — | 167,000,000 | — | — | — | 167,000,000 |
| | **Total:** | 346,200,000 | 167,000,000 | 367,400,000 | 1,915,000,000 | — | 2,795,600,000 |

## VALUATION SUMMARY

### Property held by the Target Companies in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2019 *RMB* |
|---|---|---|---|---|
| 1. | Portions of Lin'an project located at the southern side of Wushan Street, the northern side of Qianwang Street, the eastern side of Qianjin Avenue and the western side of Shengyuan Road Lin'an District, Hangzhou City, Zhejiang Province, The PRC | Lin'an project is located at the southern side of Wushan Street, the northern side of Qianwang Street, the eastern side of Qianjin Avenue and the western side of Shengyuan Road, Lin'an District, Hangzhou City. The locality is a sub-urban area near Qingshan Lake Scenic Spot, within 30 minutes' driving distance to the city centre and 50 minutes' driving distance to the airport.<br><br>Lin'an project occupies a site area of approximately 1,007,694.50 sq.m. (including the land use rights of the property), which will be developed into a residential and commercial development. Portions of the property were completed in various stages between 2007 and 2013, and 52 villas of the unsold portions with a total gross floor area of approximately 22,410.83 sq.m. (the "unsold units") were vacant for sale as at the valuation date. Portions of the property were under construction (the "CIP") as at the valuation date and are scheduled to be completed in July 2020. As advised by Zhejiang Lin'an Zhongdu Properties, upon completion, the CIP will have a total planned gross floor area of approximately 49,066.48 sq.m. The remaining portions of the property occupies parcels of land with a total site area of approximately 405,394.49 sq.m., which will be developed into a residential and commercial development with a total planned plot ratio accountable gross floor area of approximately 445,933.94 sq.m. (the "bare land", comprising properties in Group IV and Group V). As advised by Zhejiang Lin'an Zhongdu Properties, the construction of the bare land had not been commenced as at the valuation date.<br><br>As at the valuation date, the property comprised the unsold units, the CIP and the bare land of the project. The classification, usage and planned gross floor area details of the property were set out in note 8.<br><br>As advised by Zhejiang Lin'an Zhongdu Properties, the development cost (including the land cost) of the CIP of the property is estimated to be approximately RMB304,500,000, of which approximately RMB236,800,000 had been incurred up to the valuation date.<br><br>The land use rights of the property have been granted for terms expiring on 16 January 2077 and 16 January 2073 for residential use, 16 January 2043 and 28 February 2044 for commercial use. | As at the valuation date, portions of the property were vacant, portions of the property were under construction and the remaining portions of the property were bare land. | 2,628,600,000 |

*Notes:*

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts — Lin Tu He Zi (2002) No. 266 and Lin Tu He Zi (2004) No. 028 and several supplementary contracts, the land use rights of 2 parcels of land with a total site area of approximately 1,007,694.50 sq.m. (including the land use rights of the property) were contracted to be granted to Zhejiang Lin'an Zhongdu Properties for terms of 40 years for tourism and entertainment use and 70 years for residential use from the land delivery date.

2. Pursuant to 52 Building Ownership Certificates, the unsold units of the property with a total gross floor area of approximately 22,410.83 sq.m. are owned by Zhejiang Lin'an Zhongdu Properties.

3. Pursuant to 8 Construction Land Planning Permits — Di Zi Di Nos. 2004–0169, 2005–0019, 2005–0020, 2005–0021, 2005–0022, 2005–0023, 2010–182 and 2013–0507, permission towards the planning of the land parcels with a total site area of approximately 878,300.90 sq.m. (including the land use rights of the property) has been granted to Zhejiang Lin'an Zhongdu Properties.

4. Pursuant to 6 State-owned Land Use Rights Certificates — Lin Guo Yong (2006) Di No. 010122, Lin Guo Yong (2010) Di No. 06083, Lin Guo Yong (2012) Di No. 01312, Lin Guo Yong (2010) Di No. 06080, Lin Guo Yong (2010) Di No. 06084 and Lin Guo Yong (2010) Di No. 06085, the land use rights of portions of the aforesaid land parcels with a total site area of approximately 384,389.30 sq.m. (of which approximately 38,382 sq.m. is categorized in Group III — held under development by the Target Companies and the remaining portions in Group IV — held for future development by the Target Companies) have been granted to Zhejiang Lin'an Zhongdu Properties for terms expiring on 16 January 2077 and 16 January 2073 for residential use, 16 January 2043 and 28 February 2044 for commercial use.

5. Pursuant to 16 Construction Work Planning Permit — Jian Zi Di Nos. 2013–0526, 2005–0422 to 2005–0435 and 2005–0935 in favour of Zhejiang Lin'an Zhongdu Properties, the construction work of the CIP of the property with a total gross floor area of approximately 43,979.01 sq.m. has been approved for construction.

6. Pursuant to 3 Construction Work Commencement Permits — Nos. 330185201212190301, 330185201012230201 and 330185201012230301, in favour of Zhejiang Lin'an Zhongdu Properties, permissions by the relevant local authority were given to commence the construction work of the CIP of the property with a total gross floor area of approximately 49,066.48 sq.m.

7. Pursuant to 26 Pre-sale Permits — Lin Fang Shou Xu Zi (2013) Nos. 085 to 096, 349 to 362 in favour of Zhejiang Lin'an Zhongdu Properties, Zhejiang Lin'an Zhongdu Properties is entitled to sell portions of the property to purchasers.

8. According to the information provided by Zhejiang Lin'an Zhongdu Properties, the gross floor area/planned gross floor area of the property is set out as below:

| **Group** | **Usage** | **Gross Floor Area/Planned Gross Floor Area** *(sq.m.)* |
|---|---|---|
| Group I — held for sale by the Group Target Companies | Villa | 22,410.83 |
| Group III — held under development by the Target Companies | Residential | 34,364.00 |
| | Villa | 14,702.48 |
| Group IV — held for future development by the Target Companies | Residential | 380,718.03 |
| Group V — contracted to be acquired by the Target Companies | Residential | 33,116.70 |
| | Commercial | 32,099.21 |
| **Total:** | | 517,411.25 |

9. As advised by Zhejiang Lin'an Zhongdu Properties, various residential units with a total gross floor area of approximately 40,648.81 sq.m. of portions of Group I and Group III of the property have been pre-sold to various third parties at a total consideration of RMB538,921,709. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

10. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB475,600,000.

11. Our valuation has been made on the following basis and analysis:

    a. For portions of the property in Group I and Group III, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB11,000 to RMB18,000 per sq.m. for villa and RMB6,000 to RMB9,000 per sq.m for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property;

    b. For portions of the property in Group IV, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The accommodation value of these comparable land sites ranges from RMB3,800 to RMB6,100 per sq.m. for residential use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed accommodation value for the property.

12. As at the valuation date, portions of the property in Group V has entered into the Land Use Rights Grant Contract with the relevant government authorities. Since Zhejiang Lin'an Zhongdu Properties has not yet obtained the State-owned Land Use Rights Certificate and/or the payment of the land premium has not yet been fully settled as at the valuation date, we have attributed no commercial value to Group V of the property.

13. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. Zhejiang Lin'an Zhongdu Properties legally owns the land use rights of the property according to the relevant provisions stated on State-owned Land Use Rights Grant Contracts and State-owned Land Use Rights Certificates mentioned in note 1 and note 4 respectively. Subject to the limitation of the registered land use rights mortgage, several issues remain to be solved such as land leveling, idle risk, land expropriation compensation and etc. which may influence the development and management of the aforesaid land parcels;

    b. Zhejiang Lin'an Zhongdu Properties is entitled to possess the building ownership rights and the corresponding land use rights of the unsold units of the property, subject to the limitation of the registered building ownership mortgage;

    c. Zhejiang Lin'an Zhongdu Properties has obtained the Construction Land Planning Permits, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit for the development of the CIP of property. Sequestration measures against the CIP are not found;

    d. There is no material legal impediment for Zhejiang Lin'an Zhongdu Properties in obtaining the remaining requisite approvals and permits for the property after Zhejiang Lin'an Zhongdu Properties fulfilled all the procedures and submitted the materials that satisfy the local authorities and comply with the relevant laws and regulations; and

e. For the land parcels in Group V which have not yet obtained the State-owned Land Use Rights Certificate, no material legal impediment has been found for Zhejiang Lin'an Zhongdu Properties in obtaining the Real Estate Certificate after Zhejiang Lin'an Zhongdu Properties fulfilled all the procedures and submitted the materials that satisfy the local authorities and comply with the relevant laws and regulations.

14. A summary of major certificates/approvals is shown as follows:

| | | |
|---|---|---|
| a. | State-owned Land Use Rights Grant Contract | Yes |
| b. | Building Ownership Certificate | Portions |
| c. | State-owned Land Use Rights Certificate | Portions |
| d. | Construction Land Planning Permit | Portions |
| e. | Construction Work Planning Permit | Portions |
| f. | Construction Work Commencement Permit | Portions |
| g. | Pre-sale Permit | Portions |
| h. | Construction Work Completion and Inspection Certificate/Table | No |

15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

| **Group** | **Market value in existing state as at the valuation date** *(RMB)* |
|---|---|
| Group I — held for sale by the Target Companies | 346,200,000 |
| Group III — held under development by the Target Companies | 367,400,000 |
| Group IV — held for future development by the Target Companies | 1,915,000,000 |
| Group V — contract to be acquired by the Target Companies | No commercial value |
| **Total:** | 2,628,600,000 |

## VALUATION SUMMARY

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2019 *RMB* |
|---|---|---|---|---|
| 2. | Qingshan Wonderland Hotel located at No. 88 Shengyuan Road, Jincheng Street Lin'an District, Hangzhou City, Zhejiang Province, The PRC | The property known as Qingshan Wonderland Hotel (a five star hotel) is located at No. 88 Shengyuan Road, Jincheng Street Lin'an District, Hangzhou City, Zhejiang Province. The locality is a sub-urban area near Qingshan Lake Scenic Spot, within 30 minutes' driving distance to the city centre and 50 minutes' driving distance to the airport.<br><br>Qingshan Wonderland Hotel occupies a parcel of land with a site area of approximately 40,490 sq.m. and comprises a 10-storey building with 264 guest rooms, Chinese and Western restaurants, banquet halls, meeting rooms, bars, swimming pool, gyms, spas and other facilities with a total gross floor area of approximately 35,751.48 sq.m., which was completed in 2007 and officially opened in 2008. As advised by Wonderland Hotel Company, a 2-storey building with a total planned gross floor area of approximately 1,350.76 sq.m. was under construction (the "CIP") as at the valuation date and was scheduled to be completed in July 2020, which will be part of the Qingshan Wonderland Hotel for ancillary use upon completion.<br><br>As advised by Qingshan Wonderland Hotel, the construction cost of the CIP of the property is estimated to be approximately RMB7,368,000, of which approximately RMB6,368,000 had been incurred up to the valuation date.<br><br>The land use rights of the property have been granted for terms expiring on 16 January 2043 for commercial and residential use. | As at the valuation date, the property was in operation for hotel use, except portion of the property which was under construction. | 167,000,000 |

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate — Lin Guo Yong (2008) Di No. 011975, the land use rights of the property with a site area of approximately 40,490 sq.m. have been granted to Wonderland Hotel Company for a term expiring on 16 January 2043 for commercial and residential uses.

2. Pursuant to a Building Ownership Certificate — Lin Fang Quan Zheng Jin Cheng Zi Di No 0034272, the completed portion of the property with a total gross floor area of approximately 35,751.48 sq.m. is owned by Wonderland Hotel Company.

3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 2010–231, in favour of Wonderland Hotel Company, the construction work of the CIP with a gross floor area of approximately 1,350.76 sq.m. has been approved for construction.

4. Pursuant to a Construction Work Commencement Permit — No. 3301852010270301, in favour of Wonderland Hotel Company, permissions by the relevant local authority were given to commence the construction work of the CIP with a gross floor area of approximately 1,350.76 sq.m.

5. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation process, we have adopted the discounted cash flow (“DCF”) approach. We have assumed the investment-holding period of 10 years. Our assumptions and forecast mainly based on the actual operating data and the market statistic data. More details are shown below:

   a. Average Daily Room Rate (ADR) in 1st year adopted is RMB573.

   b. The average occupancy rate of Qingshan Wonderland Hotel in our forecast period will continue from 25.2% in the 1st year to 60% at the stable-operating level.

   c. Terminal capitalization rate adopted: 5%.

   d. Discount rate: 8%.

6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

   a. Wonderland Hotel Company legally owns the land use rights of the property according to the relevant provisions stated on State-owned Land Use Rights Certificate mentioned in note 1, subject to the limitation of the registered land use rights mortgage. Sequestration measures against the aforesaid land parcel are not found;

   b. Wonderland Hotel Company is entitled to possess the building ownership rights and the corresponding land use rights of the property, subject to the limitation of the registered building ownership mortgage. Sequestration measures against the CIP are not found;

   c. Wonderland Hotel Company has obtained the Construction Work Planning Permit and Construction Work Commencement Permit for the CIP of the property;

   d. There is no material legal impediment for Wonderland Hotel Company in obtaining the remaining requisite approvals and permits for the CIP of the property after Wonderland Hotel Company fulfilled all the procedures and submitted the materials that satisfy the local authorities and comply with the relevant laws and regulations.

7. A summary of major certificates/approvals is shown as follows:

| | | |
|---|---|---|
| a. | State-owned Land Use Rights Grant Contracts | N/A |
| b. | State-owned Land use rights Certificates | Yes |
| c. | Building Ownership Certificates | Yes |
| d. | Construction Land Planning Permit | N/A |
| e. | Construction Work Planning Permit (for CIP) | Yes |
| f. | Construction Work Commencement Permit (for CIP) | Yes |
| g. | Pre-sale Permit | N/A |
| h. | Construction Work Completion and Inspection Certificate/Table | N/A |

8. For the purpose of this report, the property is classified into the group as “Group II — held for operation by the Target Companies in the PRC” according to the purpose for which it is held.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DIRECTORS' INTERESTS IN SECURITIES

**Directors' and chief executive's interests and short positions in shares or underlying shares and/or debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") which are (a) recorded in the register required to be kept under section 352 of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard dealings by directors of listed issuer as referred to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), were as follows:

**Long Positions in the Shares**

| Name of Director | Capacity/Nature | Number of Shares held | Approximate % of issued share capital of the Company |
|---|---|---|---|
| Mr. Huang Qingping (1) | Interest in controlled corporation | 539,089,534 | 37.26% |
| Mr. Xie Chenguang (2) | Interest in controlled corporation | 78,085,490 | 5.40% |
| Mr. Ma Baohua (3) | Interest in controlled corporation | 71,919,056 | 4.97% |
| Mr. Zhu Li (4) | Interest in controlled corporation | 36,192,609 | 2.50% |
| Mr. Wang Zhang (5) | Interest in controlled corporation | 10,627,861 | 0.73% |
| Ms. Shao Lei (6) | Interest in controlled corporation | 10,627,861 | 0.73% |

*Notes:*

(1) Out of the 539,089,534 Shares, 539,089,534 Shares were directly owned by Silver Huang Holding Limited and 21,255,724 Shares were directly owned by Silver Vally Holding Limited. Silver Huang Holding Limited and Silver Vally Holding Limited are wholly-owned by Mr. Huang who is deemed to be interested in the Shares held by Silver Huang Holding Limited and Silver Vally Holding Limited under the SFO.

(2) Silver Xie Holding Limited is wholly-owned by Mr. Xie Chenguang who is deemed to be interested in the Shares held by Silver Xie Holding Limited under the SFO.

(3) Silver Ma Holding Limited is wholly-owned by Mr. Ma Baohua who is deemed to be interested in the Shares held by Silver Ma Holding Limited under the SFO.

(4) Silver Li Holding Limited is wholly-owned by Mr. Zhu Li who is deemed to be interested in the Shares held by Silver Li Holding Limited under the SFO.

(5) Silver Wang Holding Limited is wholly-owned by Mr. Wang Zheng who is deemed to be interested in the Shares held by Silver Wang Holding Limited under the SFO.

(6) Silver Shao Holding Limited is wholly-owned by Ms. Shao Lei who is deemed to be interested in the Shares held by Silver Shao Holding Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

## 3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

| Name of Shareholder | Capacity/Nature | Number of Shares held | Approximate % of issued share capital of the Company |
|---|---|---|---|
| Silver Huang Holding Limited | Beneficial owner | 517,833,810 | 35.79% |
| Silver Dai Holding Limited | Beneficial owner | 187,777,351 | 12.98% |
| Dai Chengshu | Interest in controlled corporation | 187,777,351 | 12.98% |
| Silver Zhu Holding Limited | Beneficial owner | 101,730,089 | 7.03% |
| Zhu Linnan | Interest in controlled corporation | 101,730,089 | 7.03% |
| Silver Xie Holding Limited | Beneficial owner | 78,085,490 | 5.40% |

*Notes:*

(1) Silver Dai Holding Limited is wholly-owned by Mr. Dai Chengshu who is deemed to be interested in the Shares held by Silver Dai Holding Limited under the SFO.

(2) Silver Zhu Holding Limited is wholly-owned by Mr. Zhu Linnan who is deemed to be interested in the Shares held by Silver Zhu Holding Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or chief executive of the Company, no other person had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor any conflicts of interest which has or may have with the Group of interests with the Group.

## 5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

(a) save as disclosed in the section headed "Continuing Connected Tractions" in the Prospectus for details of agreements entered into between the Group with Yincheng Real Estate Group Co., Ltd.* (銀城地產集團股份有限公司) ("**Yincheng Real Estate**"), in which Mr. Huang Gingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li are shareholders, and one of them being a Master Property Management Services Agreement dated 18 February 2019 (as defined in the Prospectus) which was subsequently replaced by a master property management services agreement dated on 21 October 2019 entered into between the Company and Yincheng Life Service CO., Ltd (銀城生活服務有限公司), a company of which Mr. Huang Qingping is a controlling shareholder and its shares are listed on the Stock Exchange (stock code: 1922) and each of Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li is a non-executive director, with further details set out in the announcement of the Company dated 21 October 2019, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the businesses of the Group;

(b) none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which was not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation;

(c) none of the Directors 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 Group were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(d) each the following Directors was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of sole director | Name of company |
|---|---|
| Mr. Huang Qingping | Silver Huang Holding Limited |
| Mr. Xie Chenguang | Silver Xie Holding Limited |

## 6. MATERIAL CONTRACTS

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

(a) the pledge dated April 2018 signed between Nanjing Yincheng Real Estate Co., Ltd.* (南京銀城房地產開發有限公司) ("**Nanjing Yincheng**") (as pledgor) and Zijin Trust Ltd. (紫金信託有限責任公司) (as creditor and pledgee), involving the pledge of 100% shareholding interest in Nanjing Yinjiahui Enterprise Management Co., Ltd.* (南京銀嘉匯企業管理有限公司) ("**Nanjing Yinjiahui**");

(b) the pledge dated April 2018 signed between Nanjing Yincheng (as pledgor) and Zijin Trust Ltd. (紫金信託有限責任公司) (as creditor and pledgee), involving the pledge of 100% shareholding interest in Hangzhou Yinghong Industrial Co., Ltd.* (杭州銀弘實業有限責任公司) ("**Hangzhou Yinhong**");

(c) the guarantee dated 25 April 2018 signed between Hangzhou Yinhong (as guarantor) and Zijin Trust Ltd. (紫金信託有限責任公司) (as creditor) in relation to certain obligations of Nanjing Yincheng due and owing by it to Zijin Trust Ltd. (紫金信託有限責任公司);

(d) the capital injection agreement dated 25 April 2018 signed between Nanjing Yincheng, Nanjing Yinhaokun Enterprise Management Partnership (Limited Partnership)* (南京銀浩坤企業管理合夥企業(有限合夥)) and Nanjing Yinjiachun Enterprise Management Co., Ltd.* (南京銀嘉淳企業管理有限公司) ("**Nanjing Yinjiachun**"), pursuant to which Nanjing Yinhaokun Enterprise Management Partnership (Limited Partnership)* (南京銀浩坤企業管理合夥企業(有限合夥)) acquired 0.99% shareholding interest in Nanjing Yinjiachun through capital injection in the amount of RMB10,000;

(e) the equity transfer agreement dated 25 April 2018 signed between Shanghai Sunac Property Development Group Limited* (上海融創房地產開發集團有限公司) and Nanjing Yinjiaying Enterprise Management Co., Ltd.* (南京銀嘉瀛企業管理有限公司) ("**Nanjing Yinjiaying**"), pursuant to which Shanghai Sunac Property Development Group Limited* (上海融創房地產開發集團有限公司) transferred shareholding interest with a value of RMB100 million representing a registered capital of 50% in SUNAC (Jiangsu) Real Estate Co., Ltd.* (融創(江蘇)置業有限公司), to Nanjing Yinjiaying for the consideration of RMB100 million;

(f) the equity transfer agreement dated 2 May 2018 signed between Nanjing Yincheng, Jiangsu Xinyuan Industrial Investment Co., Ltd.* (江蘇新苑實業投資有限公司) ("**Jiangsu Xinyuan**") and Nanjing Eastern Senior Living, pursuant to which Jiangsu Xinyuan transferred 20% shareholding interest in Nanjing Eastern Senior Living to Nanjing Yincheng for the consideration of RMB295,229,993.60;

(g) the equity transfer agreement dated 2 May 2018 signed between Jiangsu Xinyuan, Nanjing Yincheng and Nanjing Mahui Real Estate Co., Ltd.* (南京馬會置業有限公司) ("**Nanjing Mahui**"), pursuant to which Jiangsu Xinyuan transferred 46.65% shareholding interest in Nanjing Mahui to Nanjing Yincheng for the consideration of RMB271,629,206.87;

(h) the equity transfer agreement dated 7 May 2018 signed between Wuxi Fuwang Investment Company Limited* (無錫富旺投資有限公司) and Wuxi Yinzelan Enterprise Management Co., Ltd.* (無錫銀澤瀾企業管理有限公司) ("**Wuxi Yinzelan**"), pursuant to which Wuxi Fuwang Investment Company Limited* (無錫富旺投資有限公司) transferred 35% shareholding interest in Wuxi Yifeng Real Estate Co., Ltd.* (無錫億豐置業有限公司) ("**Wuxi Yifeng**") with a value of RMB56 million) to Wuxi Yinzelan for the consideration of RMB56 million;

(i) the equity transfer agreement dated 21 May 2018 signed between Nanjing Jinji Property Development (Group) Company Limited* (南京金基房地產開發(集團)有限公司), Nanjing Yincheng and Nanjing Eastern Senior Living, pursuant to which Nanjing Jinji Property Development (Group) Company Limited* (南京金基房地產開發(集團)有限公司) transferred 4.167% shareholding interest in Nanjing Eastern Senior Living to Nanjing Yincheng for the consideration of RMB61,526,653.67;

(j) the equity transfer agreement dated 21 May 2018 signed between Nanjing Yincheng, Jiangsu Xinyuan and Nanjing Hongquan Real Estate Co., Ltd.* (南京弘全房地產開發有限公司) ("**Nanjing Hongquan**"), pursuant to which Jiangsu Xinyuan transferred 24.99% shareholding interest in Nanjing Hongquan to Nanjing Yincheng for the consideration of RMB24,632,031.90;

(k) the equity transfer agreement dated 21 May 2018 signed between Nanjing Yincheng, Nanjing Jinjitongchan Property Company Limited* (南京金基通產置業有限公司) and Nanjing Hongquan, pursuant to which Nanjing Jinjitongchan Property Company Limited* (南京金基通產置業有限公司) transferred 49% shareholding interest in Nanjing Hongquan to Nanjing Yincheng for the consideration of RMB48,298,101.76;

(l) the equity transfer agreement dated 21 May 2018 signed between Nanjing Yincheng, Jiangsu Xinyuan and Nanjing Hongquan, pursuant to which Jiangsu Xinyuan transferred 49% shareholding interest in Nanjing Hongyou to Nanjing Yincheng for the consideration of RMB124,171,125.20;

(m) the equity transfer agreement dated 25 May 2018 signed between Yincheng Real Estate, Nanjing Yingang Business Management Co., Ltd.* (南京銀港企業管理有限公司) ("**Nanjing Yingang**") and Nanjing Yincheng, pursuant to which Yincheng Real Estate transferred 99.9% shareholding interest in Nanjing Yincheng to Nanjing Yingang for the consideration of RMB100 million;

(n) the equity transfer agreement dated 25 May 2018 signed between Nanjing Yingang, Pearl Blue Investment Limited and Nanjing Yincheng, pursuant to which 0.1% of the interest in Nanjing Yincheng was transferred from Pearl Blue Investment Limited to Nanjing Yingang for the consideration of RMB1.5 million;

(o) the equity transfer agreement dated 28 May 2018 signed between Nanjing Jinji Property Development (Group) Company Limited* (南京金基房地產開發(集團)有限公司), Nanjing Yincheng and Nanjing Mahui, pursuant to which Nanjing Jinji Property Development (Group) Company Limited* (南京金基房地產開發(集團)有限公司) transferred 5% shareholding interest in Nanjing Mahui to Nanjing Yincheng for the consideration of RMB29,113,527.00;

(p) the equity transfer agreement dated 28 May 2018 signed between Nanjing Yincheng, Jiangsu Ruilang Property Investment Co., Ltd.* (江蘇瑞朗置業投資有限公司) ("**Jiangsu Ruilang**") and Nanjing Yicheng, pursuant to which Jiangsu Ruilang transferred 30% shareholding interest in Nanjing Yicheng to Nanjing Yincheng for the consideration of RMB158,421,590.59;

(q) the equity transfer agreement dated 28 May 2018 signed between Nanjing Yincheng, Nanjing Jinjitongchan Property Company Limited* (南京金基通產置業有限公司) and Nanjing Yicheng, pursuant to which Nanjing Jinjitongchan Property Company Limited* (南京金基通產置業有限公司) transferred 30% shareholding interest in Nanjing Yicheng to Nanjing Yincheng for the consideration of RMB158,421,590.59;

(r) the share transfer form dated 29 May 2018 signed between our Company and Silver Cao Holding Limited ("**Silver Cao**"), pursuant to which 6,843,683 shares of US$0.0001 par value each were transferred from Silver Cao to our Company in consideration of which, 53,380.7274 Shares were allotted and issued to Silver Cao;

(s) the share transfer form dated 29 May 2018 signed between our Company and Silver Dai Holding Limited ("**Silver Dai**"), pursuant to which 96,296,077 shares of US$0.0001 par value each were transferred from Silver Dai to our Company in consideration of which, 751,109.4006 Shares were allotted and issued to Silver Dai;

(t) the share transfer form dated 29 May 2018 signed between our Company and Silver Huang Holding Limited ("**Silver Huang**"), pursuant to which 265,555,800 shares of US$0.0001 par value each were transferred from Silver Huang to our Company in consideration of which, 2,071,335.2400 Shares were allotted and issued to Silver Huang;

(u) the share transfer form dated 29 May 2018 signed between our Company and Silver Li Holding Limited ("**Silver Li**"), pursuant to which 18,560,312 shares of US$0.0001 par value each were transferred from Silver Li to our Company in consideration of which, 144,770.4336 Shares were allotted and issued to Silver Li;

(v) the share transfer form dated 29 May 2018 signed between our Company and Silver Shao Holding Limited ("**Silver Shao**"), pursuant to which 5,450,185 shares of US$0.0001 par value each were transferred from Silver Shao to our Company in consideration of which, 42,511.4430 Shares were allotted and issued to Silver Shao;

(w) the share transfer form dated 29 May 2018 signed between our Company and Silver Vally Holding Limited ("**Silver Vally**"), pursuant to which 10,900,371 shares of US$0.0001 par value each were transferred from Silver Vally to our Company in consideration of which, 85,022.8938 Shares were allotted and issued to Silver Vally;

(x) the share transfer form dated 29 May 2018 signed between our Company and Silver Wang Holding Limited ("**Silver Wang**"), pursuant to which 5,450,185 shares of US$0.0001 par value each were transferred from Silver Wang to our Company in consideration of which, 42,511.4430 Shares were allotted and issued to Silver Wang;

(y) the share transfer form dated 29 May 2018 signed between our Company and Silver Wu Holding Limited ("**Silver Wu**"), pursuant to which 6,867,233 shares of US$0.0001 par value each were transferred from Silver Wu to our Company in consideration of which, 53,564.4174 Shares were allotted and issued to Silver Wu;

(z) the share transfer form dated 29 May 2018 signed between our Company and Silver Xie Holding Limited ("**Silver Xie**"), pursuant to which 40,043,841 shares of US$0.0001 par value each were transferred from Silver Xie to our Company in consideration of which, 312,341.9598 Shares were allotted and issued to Silver Xie;

(aa) the share transfer form dated 29 May 2018 signed between our Company and Silver Zhu Holding Limited ("**Silver Zhu**"), pursuant to which 52,169,276 shares of US$0.0001 par value each were transferred from Silver Zhu to our Company in consideration of which, 406,920.3528 Shares were allotted and issued to Silver Zhu;

(bb) the equity transfer agreement dated 27 June 2018 signed between Wuxi Yincheng Real Estate Co., Ltd.* (無錫銀城房地產開發有限公司) ("**Wuxi Yincheng**") and Tongxiang City Anhao Investment Management Company Limited* (桐鄉市安豪投資管理有限公司), pursuant to which Tongxiang City Anhao Investment Management Company Limited* (桐鄉市安豪投資管理有限公司) transferred 19% shareholding interest in Suzhou Yinze Real Estate Co., Ltd.* (蘇州銀澤房地產開發有限公司) ("**Suzhou Yinze**") to Wuxi Yincheng for the consideration of RMB40,575,555.56;

(cc) the pledge dated 5 September 2018 between Nanjing Yincheng (as pledgor) and Hangzhou Industry and Commerce Trust Company Limited* (杭州工商信託股份有限公司) (as pledgee) in relation to 33% shareholding interest in Nanjing Yinjialan Enterprise Management Co., Ltd.* (南京銀嘉瀾企業管理有限公司) ("**Nanjing Yinjialan**");

(dd) the equity transfer agreement dated 27 December 2018 signed between Wuxi Yincheng and Huzhou Languang Cancong Investment Co. Ltd* (湖州藍光燦琮投資有限公司), pursuant to which Wuxi Yincheng transferred 51% shareholding in Jiangyin Yinlan Property Development Co., Ltd* (江陰銀藍房地產開發有限公司) to Huzhou Languang Cancong Investment Co. Ltd* (湖州藍光燦琮投資有限公司) for a consideration of RMB1;

(ee) the deed of indemnity dated 20 February 2019 given by Mr. Huang Qingping, Silver Huang and Silver Vally in favour of the Company (for itself and as trustee for each of its subsidiaries) as detailed in the paragraph headed "Tax and other indemnities" in Appendix VI to the prospectus;

(ff) the deed of non-competition dated 20 February 2019 given by Mr. Huang Qingping, Silver Huang and Silver Vally in favour of the Company (for itself and as trustee for each of its subsidiaries) as detailed in the paragraph headed "Relationship with our controlling shareholders — Deed of Non-Competition" of the Prospectus;

(gg) the underwriting agreement dated 21 February 2019 relating to the public offering of initially 35,426,000 Shares for subscriptions by members of the public in Hong Kong entered into among, among other parties, the Company and Mr. Huang Qingping, Silver Huang and Silver Vally;

(hh) the equity transfer agreement dated 26 February 2019 entered into between Wuxi Yinzechen Management Co. Ltd. (無錫銀澤辰企業管理有限公司) ("**Wuxi Yinzechen**") and Nanjing Qike Properties Co. Ltd. (南京齊坷置業有限公司) pursuant to which Nanjing Qike Properties Co. Ltd. (南京齊坷置業有限公司) agreed to sell 49% equity interest held by it in Wuxi Qike Properties Co. Ltd. (無錫齊坷置業有限公司) to Wuxi Yinzechen at the consideration of RMB9.8 million;

(ii) the underwriting agreement dated 27 February 2019 relating to the placing of initially 318,836,000 Shares entered into among, among other parties, the Company and Mr. Huang Qingping, Silver Huang and Silver Vally;

(jj) the Cooperation Agreement;

(kk) the Restructuring Investment Agreement;

(ll) the framework cooperation agreement dated 3 July 2019 entered into between Nanjing Yinjiazhen Enterprise Management Co., Ltd.* (南京銀嘉湞企業管理有限公司) (a wholly-owned subsidiary of the Company) and Zhijun Property Development Company Limited* (南京至君房地產開發有限公司) in relation to the acquisition of the land parcel situated at No. 224 of Central Street, Xuanwu Road, Xuanwu District, Nanjing City, the PRC, and it reaches Shenwu Street and the No. 46 Court of Dashugen Community at Xuanwu District to the east, Dashugen Community to the south, Central Street and Houdashugen Community to the west, and the land occupied by Nanjing City Construction (Holding) Company Limited to the north. The land parcel file number is 320102005004GB00055 and land parcel number is

2019G38 (玄武區玄武門街道中央路224號地塊，東至神武路、玄武區大樹根46號社區，南至大樹根，西至中央路、後大樹根，北至南京市城市建設(控股)有限公司用地。宗地編號320102005004GB00055及土地編號2019G38) by Nanjing Zhijun Property Development Company Limited* (南京至君房地產開發有限公司) being the project company for development of the said land;

(mm) the equity transfer agreement (股權轉讓協議) dated 21 August 2019 entered between Nanjing Yinjiazhen Enterprise Management Co., Ltd.* (南京銀嘉湞企業管理有限公司) (''**Nanjing Yinjiazhen**'') and Shanghai Mingbu Industrial Company Limited* (上海銘布實業有限公司) (''**Shanghai Mingbu**'') pursuant to which Nanjing Yinjiazhen has agreed to transfer 25% of the equity interest of the Project Company to Shanghai Mingbu; and

(nn) the equity transfer agreement dated 30 September 2019 signed between Nanjing Yincheng, Nanjing Yinhaokun Enterprise Management Partnership (Limited Partnership)* (南京銀浩坤企業管理合夥企業(有限合夥)) and Nanjing Yinjiachun, pursuant to which Nanjing Yinhaokun Enterprise Management Partnership (Limited Partnership)* (南京銀浩坤企業管理合夥企業(有限合夥)) disposed of the 0.99% shareholding interest in Nanjing Yinjiachun (i.e., RMB10,000 contribution to the registered capital) to Nanjing Yinjiachun.

## 7. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

## 8. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the expert who has given its opinions or advice which are contained in this circular:

| Name | Qualification |
|---|---|
| Ernst & Young | Certified Public Accountants |
| Jones Lang LaSalle Corporate Appraisal and Advisory Limited | Independent professional property valuer |

Each of the abovenamed expert has given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters, reports and/or summary of their opinions (as the case may be) and references to their names in the form and context in which they respectively appear herein.

As at the Latest Practicable Date, the above mentioned expert:

(a) did not have any shareholding, directly or indirectly, in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Company for the year ended 31 December 2018 were made up;

(c) the report of Ernst & Young is given as of the date of this circular for incorporation herein; and

(d) the property valuation report of Jones Lang LaSalle Corporate Appraisal and Advisory Limited is given as of the date of this circular for incorporation herein.

## 9. MISCELLANEOUS

(a) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

(b) The Company Secretary of the Company is Mr. Wong Yu Kit, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.

(c) The principal place of business of the Company in Hong Kong is at Room 4502, 45/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. The headquarters and principal place of business in the PRC is at Part of 19–21 Floors, Block A Yincheng Plaza, 289 Jiangdongbeilu, Nanjing, the PRC. The registered office of the Company is at Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

(d) The principal share registrar and transfer office of the Company in Cayman Islands is Estera Trust (Cayman) Limited of P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

(e) The share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited whose address is situated at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Room 4502, 45/F Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong during normal business hours on any business day (Saturdays and public holidays excluded) for a period of 14 days from the date of this circular:

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

(b) the material contracts referred to in the paragraph headed "6. Material contracts" in this appendix;

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

(d) the annual report of the Company for the financial year ended 31 December 2018;

(e) the Prospectus;

(f) Accountants' Report in respect of Wonderland Hotel Company;

(g) the Property Valuation Report;

(h) the written consent of Ernst & Young as referred to in the paragraph headed "Qualification and Consent of Expert" in this appendix;

(i) the written consent of Jones Lang LaSalle Corporate Appraisal and Advisory Limited as referred to in the paragraph headed "Qualifications and Consents of Experts" in this appendix;

(j) the circular of the Company dated 25 November 2019; and

(k) this circular.

**Yincheng International Holding Co., Ltd.**
**銀城國際控股有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1902)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "**EGM**") of Yincheng International Holding Co., Ltd. (the "**Company**") will be held at the headquarter and principal place of business of the Company at 21st Floor, Block A Yincheng Plaza, 289 Jiangdongbeilu, Nanjing, the People's Republic of China on Monday, 20 April 2020 at 2:30 p.m. for the following purposes:

## ORDINARY RESOLUTION

To consider and, if thought fit, to pass with or without modification the following ordinary resolution:

1. "**THAT**

(a) each of the Cooperation Agreement dated 13 May 2019 (the "**Cooperation Agreement**") entered into between Nanjing Yinjiayuan Enterprise Management Co., Ltd.* (南京銀嘉淵企業管理有限公司) ("**Nanjing Yinjiayuan**") and Lin'an Yixiang Property Development Company Limited* (臨安屹翔房地產開發有限公司) ("**Lin'an Yixiang**") and the Restructuring Investment Agreement dated 16 May 2019 (the "**Restructuring Investment Agreement**") entered into between Nanjing Yinjiayuan, Lin'an Yixiang and the administrator of the restructuring of the 19 Distressed Companies (as defined in the circular of the Company dated 27 March 2020 (the "**Circular**")), and the Transactions (as defined in the Circular) including the acquisition of Hangzhou Zhongdu Qingshan Wonderland Hotel Company Limited* (杭州中都青山湖畔大酒店有限公司) and Zhejiang Zhongdu Property Development Group Company Limited* (浙江中都房地產集團有限公司) by Nanjing Yinjiayuan and the acquisition and subsequent disposal of the 17 Non-Target Companies (as defined in the Circular) as contemplated under the Cooperation Agreement and Restructuring Investment Agreement be and hereby approved, confirmed and ratified; and

(b) any director(s) of the Company (the "**Directors**") be and is/are hereby authorised, for and on behalf of the Company, to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or implement or in connection with or incidental to the Cooperation Agreement and the Restructuring Investment Agreement and/or any and all of the transactions contemplated thereunder and any and all such acts and things done, documents signed and executed and sealed (where required) and delivered and steps taken by the Directors be and are hereby approved, confirmed and ratified.''

Yours faithfully,
By order of the Board
**Yincheng International Holding Co., Ltd.**
**Huang Qingping**
*Chairman*

PRC, 27 March 2020

*Notes:*

1. For the purpose of determining the identity of the shareholders entitled to attend and vote at the meeting, the register of members of the Company will be closed from Wednesday, 15 April 2020 to Monday, 20 April 2020, both dates inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's 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 for registration not later than 4:30 p.m. on Tuesday, 14 April 2020.

2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.

4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Hong Kong share registrar of the Company, 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 certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting.

5. As at the date of this notice, the Board comprises four executive Directors, namely Mr. Ma Baohua, Mr. Zhu Li, Mr. Wang Zheng and Ms. Shao Lei; two non-executive Directors, namely Mr. Huang Qingping and Mr. Xie Chenguang; and three independent non-executive Directors, namely Dr. Chen Shimin, Mr. Chan Peng Kuan and Mr. Lam Ming Fai.