THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Zhuguang Holdings Group Company Limited ("**Company**"), you should at once hand this circular to the purchasers or transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchasers or transferees.

珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED
珠 光 控 股 集 團 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(stock code: 1176)

MAJOR TRANSACTION:
ACQUISITION OF 49% EQUITY INTEREST OF THE TARGET

Terms used in this cover shall have the same meaning as defined in this circular.

A letter from the Board is set out on pages 5 to 13 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholder's approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

24 December 2020

* *For identification purpose only*

CONTENTS

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

"Acquisition"	the acquisition of the Sale Interest by the Purchaser pursuant to the SP Agreement
"All Flourish"	All Flourish Investments Limited (通興投資有限公司), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday and any public holiday) on which licensed banks in Hong Kong are open for business
"BVI"	British Virgin Islands
"Company"	Zhuguang Holdings Group Company Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition
"Completion Date"	the Business Day following the date on which the Sale Interest has been legally and beneficially registered under the name of the Purchaser by the relevant PRC authority, or such later date as the Purchaser and the Vendor may agree
"Conditions"	the conditions precedent to which Completion is subject as set out in the paragraph headed "Conditions precedent to Completion" under the section headed "The SP Agreement" in the Letter from the Board in this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of RMB900 million (equivalent to approximately HK$1,038 million) payable by the Purchaser to the Vendor pursuant to the SP Agreement for the Acquisition
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition after Completion

"Greater China"	Greater China Appraisal Limited, an independent professional valuer
"Group"	the Company and its subsidiaries
"Guangzhou Land"	collectively, Land A, Land B and Land C, which are all owned by the Target
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	parties who are third parties independent of the Company and its connected persons and their respective associates
"Land"	the land with a gross land area of approximately 107,400 sq.m., located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, which includes the Guangzhou Land
"Land A"	a portion of the Land with a gross land area of approximately 37,591 sq.m., which is owned by the Target
"Land B"	a portion of the Land with a gross land area of approximately 15,235 sq.m., which is owned by the Target
"Land C"	a portion of the Land with a gross land area of approximately 10,811 sq.m., which is owned by the Target
"Latest Practicable Date"	18 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2021 (or such later date as the Purchaser and the Vendor may agree in writing)
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Previous Acquisition"	the acquisition of 1,000 shares of par value of US$1.00 each in the share capital of All Flourish, representing 100% of the issued share capital of All Flourish, pursuant to the agreement dated 18 December 2019 and entered into between South Trend, Quan Xing Holdings Limited (荃興控股有限公司) and Mr. Cheung Fong Wing, details of which are set out in the Company's announcement dated 18 December 2019
"Project"	the property development project to be developed on the Guangzhou Land, in which the Target holds interests
"Property Valuation Report"	the property valuation report issued by Greater China regarding the market value of the Guangzhou Land as at 30 September 2020, which is set out in Appendix IV to this circular
"Purchaser"	Pacific Win Investments Limited (保鋒投資有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Quan Xing"	Quan Xing Holdings Limited (荃興控股有限公司), a company incorporated in the BVI with limited liability
"RMB"	Renminbi, the lawful currency of the PRC
"Rong De"	Rong De Investments Limited (融德投資有限公司), a company incorporated in the BVI with limited liability, being the controlling shareholder (within the meaning of the Listing Rules) of the Company
"Sale Interest"	49% of the equity interest of the Target
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Silver Grant"	Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 171), out of which 681,240,022 shares (representing approximately 29.56% of its issued share capital) were held by the Company as at the Latest Practicable Date

"SP Agreement"	the agreement dated 7 December 2020 and entered into between the Purchaser and the Vendor in relation to the Acquisition
"South Trend"	South Trend Holdings Limited (南興控股有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"sq.m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	廣州發展汽車城有限公司 (Guangzhou Development Automobile City Co., Ltd.*), a company established in the PRC with limited liability and was owned as to 51% by the Group and 49% by the Vendor as at the Latest Practicable Date
"US$"	United States Dollars, the lawful currency of the United States of America
"Vendor"	廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*), a company established in the PRC with limited liability, the ultimate beneficial owners of which are Mr. Xie Bingzhao* (謝炳釗) and Mr. Zhu Geliang* (朱各亮)
"%"	per cent

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ using the exchange rate of RMB1:HK$1.15311, unless otherwise indicated. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED
珠光控股集團有限公司 *

(incorporated in Bermuda with limited liability)

(stock code: 1176)

Executive Directors:
Mr. Chu Hing Tsung *(alias Mr. Zhu Qing Yi)* *(Chairman)*
Mr. Liu Jie *(Chief Executive Officer)*
Mr. Liao Tengjia *(Deputy Chairman)*
Mr. Huang Jiajue *(Deputy Chairman)*
Mr. Chu Muk Chi *(alias Mr. Zhu La Yi)*
Ms. Ye Lixia

Independent non-executive Directors:
Mr. Leung Wo Ping JP
Mr. Wong Chi Keung
Dr. Feng Ke

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Room 5702-5703, 57th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

24 December 2020

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION:
ACQUISITION OF 49% EQUITY INTEREST OF THE TARGET

INTRODUCTION

Reference is made to the announcement of the Company dated 7 December 2020, in which the Company announced that, after trading hours on 7 December 2020, the Purchaser, a wholly-owned subsidiary of the Company and the Vendor entered into the SP Agreement in relation to the Acquisition, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Interest, which represents 49% of the equity interest of the Target at the consideration of RMB900 million (equivalent to approximately HK$1,038 million).

The purpose of this circular is to provide you with, among other things, (i) details of the SP Agreement and the transactions contemplated thereunder; (ii) the Property Valuation Report; and (iii) other information as required to be disclosed under the Listing Rules.

* *For identification purpose only*

THE SP AGREEMENT

Set out below are the major terms of the SP Agreement:

Date:

7 December 2020

Parties:

(i) the Vendor as the vendor; and

(ii) the Purchaser as the purchaser.

The Vendor is a company established in the PRC with limited liability and is principally engaged in project investments, trading, import and export of goods, marketing development and consultation, interior designs and decorations and business information consultation. Mr. Liao Tengjia, a 36% shareholder of Rong De (a controlling shareholder (within the meaning of the Listing Rules) of the Company), a deputy chairman of the Board and an executive Director, is considered to have significant influence in the Vendor, on the basis that he has been a consultant to the Vendor and had participated in the management discussions in the financial and operational aspects of the Vendor; and thus, the Vendor has been regarded as a related party of the Company under the Hong Kong Financial Reporting Standards adopted by the Company in the preparation of its financial statements. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interest, which represents 49% of the equity interest of the Target. The information regarding the Target is set out in the section headed “Information about the Target” below.

Consideration

The Consideration is RMB900 million (equivalent to approximately HK$1,038 million), which shall be payable by the Purchaser to the Vendor in cash within ten Business Days following the Completion Date.

Basis of Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms after taking into account (i) the preliminary valuation of the Guangzhou Land as at 30 September 2020 of approximately RMB6,400 million (equivalent to approximately HK$7,380 million) as assessed by an independent qualified valuer using the comparison method ("**Valuation**"); and (ii) 49% of the unaudited net asset value of the Target as at 30 September 2020 (as adjusted with reference to the Valuation) of approximately RMB1,985 million (equivalent to approximately HK$2,289 million), which amounts to approximately RMB973 million (equivalent to approximately HK$1,122 million).

Conditions precedent to Completion

Completion is conditional upon and subject to the following:

(i) the procedures in relation to the change in industry and commercial registration pursuant to the transfer of the Sale Interest from the Vendor to the Purchaser having been completed (this Condition will be fulfilled only after the other Conditions have been fulfilled);

(ii) the representations and warranties made by the Vendor ("**Vendor's Warranties**") under the SP Agreement being true, accurate and not misleading in all respects and with no material omission, and that no events have occurred that would result in any breach of such Vendor's Warranties or any clauses of the SP Agreement as at the Completion Date;

(iii) the transactions contemplated under the SP Agreement are not subject to any limitation or prohibition under any applicable law, jurisdiction, arbitral institutions, or any administrative decisions or orders of any governmental authority; and

(iv) the Vendor and the Purchaser and/or the Company having obtained all necessary acknowledgements, consents and approvals in respect of the SP Agreement and the transactions contemplated thereunder, and such acknowledgements, consents and approvals having remained in full force and effect on the Completion Date.

The Purchaser may at any time prior to the Long Stop Date waive in writing Condition (ii), subject to any additional conditions which may be imposed by the Purchaser. Apart from Condition (ii), none of the Conditions is capable of being waived by the Purchaser or the Vendor.

If the above Conditions are not fulfilled by 5:00 p.m. on the Long Stop Date, the SP Agreement shall cease to have effect forthwith (save and except certain clauses as specified in the SP Agreement which shall continue to have full force and effect), and no party to the SP Agreement shall have any rights and obligations thereunder save for any accrued rights and obligations of the parties prior to the termination. In addition, the Vendor shall forthwith return any Consideration received to the Purchaser. As at the Latest Practicable Date, none of the above Conditions has been fulfilled.

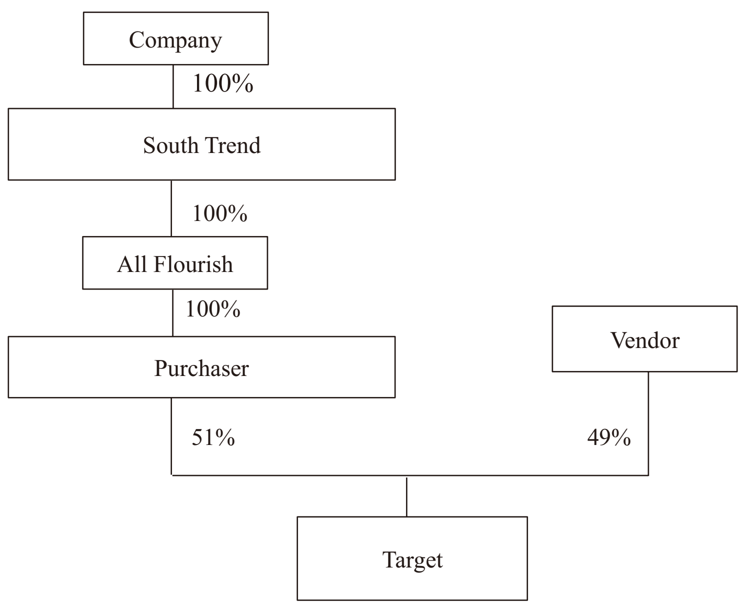
Completion

Subject to the fulfilment or waiver (as the case may be) of the Conditions, Completion shall take place on the Completion Date.

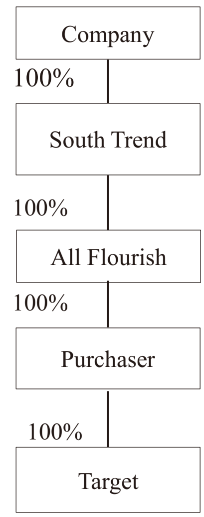
As at the Latest Practicable Date, the Group owned 51% of the equity interest of the Target. Immediately after Completion, the Group will own 100% of the equity interest of the Target and the Target will become an indirect wholly-owned subsidiary of the Company.

INFORMATION ABOUT THE TARGET

To the best of the knowledge, information and belief of the Directors, the following diagram sets out the shareholding structure of the Target as at the Latest Practicable Date:



Upon Completion, the shareholding structure of the Target will be as follows:



The Target

The Target is a company established in the PRC with limited liability and its principal business activity is property development. As at the Latest Practicable Date, the equity interest of the Target was owned as to 51% by the Group and 49% by the Vendor. The Guangzhou Land is the principal asset of the Target, and can be used for commercial, tourism and entertainment uses for a term of 40 years expiring on 20 February 2058 and for composite and other uses for a term of 50 years expiring on 20 February 2068. The Guangzhou Land is planned to be developed into a commercial complex which comprises, without limitation, shopping malls, office premises and high-end apartment buildings.

As at the date of this circular, the Target holds interests in the Project. The Project involves the development of the Guangzhou Land with a total site area of approximately 63,637 sq.m., which is being developed into buildings for office, apartment and commercial uses. The total gross floor areas (“**GFA**”) of the Project for sale and for development are approximately 352,158 sq.m. and 360,655 sq.m., respectively, and the Project comprises four phases of development. Phase I to Phase III of the Project were under construction as at the Latest Practicable Date. While Phase I of the Project covering four blocks of apartment buildings (including a retail portion) with a total GFA available for sale of approximately 33,095 sq.m., which commenced pre-sale in July 2020, is scheduled to be completed in April 2022, the remaining phases of the Project with a total GFA available for sale of approximately 319,063 sq.m. are scheduled to be completed by May 2025. Details of the Guangzhou Land (which comprises Land A, Land B and Land C) and the Land (which comprises the Guangzhou Land as well as road use area and green land area) are as follows:

	Land area *(sq.m.)*	**GFA for development under the Project** *(sq.m.)*	**Usage**	**GFA for sale under the Project** *(sq.m.)*
Land A	37,591	206,117	Office	67,191
			Apartment	112,405
			Commercial	13,762
Land B	15,235	116,698	Office	73,350
			Apartment	36,770
			Commercial	15,585
Land C	10,811	37,840	Apartment	30,996
			Commercial	2,099
Sub-total	63,637	360,655		352,158
Road use area	30,798	N/A		N/A
Green land area	12,965	N/A		N/A
Total	107,400	360,655		352,158

Set out below is certain unaudited financial information of the Target prepared in accordance with the generally accepted accounting principles of Hong Kong for the two financial years ended 31 December 2018 and 31 December 2019:

	For the year ended 31 December 2018 *(unaudited)* *(approximately)*	**For the year ended 31 December 2019** *(unaudited)* *(approximately)*
Net loss before taxation	RMB204,951,000 (equivalent to approximately HK$236,331,000)	RMB136,249,000 (equivalent to approximately HK$157,110,000)
Net loss after taxation	RMB204,951,000 (equivalent to approximately HK$236,331,000)	RMB136,249,000 (equivalent to approximately HK$157,110,000)

The unaudited net assets and total assets of the Target as at 30 September 2020 were approximately RMB903 million (equivalent to approximately HK$1,041 million) and approximately RMB4,839 million (equivalent to approximately HK$5,580 million), respectively.

As at the Latest Practicable Date, the Group did not have any capital commitment in the Target and/or the Project.

FINANCIAL EFFECT OF THE ACQUISITION ON THE GROUP

As at the Latest Practicable Date, the Group held 51% of the equity interest of the Target and the financial results of the Target were equity accounted for in the Group's consolidated financial statements as a joint venture. Upon Completion, the Target will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into those of the Group.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SP AGREEMENT

The Group is principally engaged in property development, property investment, project management and other property development related services in the PRC.

The Board is optimistic about the prospects of the property development business in the first-tier cities and the Guangdong-Hong Kong-Macao Greater Bay Area in the PRC. As the Guangzhou Land which is owned by the Target and planned to be developed for office, apartment, commercial, tourism and entertainment purposes through the Project is situated in Guangzhou City, the PRC, acquiring the remaining 49% equity interest in the Target will allow the Group to take full control of the Project and entirely own the Guangzhou Land. In addition, the Guangzhou Land, which is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, has great potential for development given that it is near the Sanxi (三溪) Station of Guangzhou Metro Line No. 5 and within the scope of the planned Guangzhou International Financial Town* (廣州國際金融城) in Tianhe District, Guangzhou City, Guangdong Province, the PRC. In light of the Guangzhou Land's potential for development and its superior geographic location with convenient transportation available, the Board believes that the Acquisition represents a strategic opportunity for the Group to further develop and expand its property development business in Guangzhou City, the PRC.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition, standalone, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As the relevant percentage ratio (as defined under the Listing Rules) in respect of the Acquisition, when aggregated with that of the Previous Acquisition, is more than 25% but less than 75%, the Acquisition, when aggregated with the Previous Acquisition, constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval of the Acquisition may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting in the event the Company were to convene a general meeting for the approval of the Acquisition; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Acquisition.

* *For identification purpose only*

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, as no Shareholder has a material interest in the Acquisition, no Shareholder (including Rong De) is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition. Rong De, holding 4,825,791,289 Shares, representing approximately 67.08% of the issued share capital of the Company as at the Latest Practicable Date, has provided a written Shareholder's approval on the Acquisition. As such, no general meeting will be convened for approving the Acquisition pursuant to Rule 14.44 of the Listing Rules.

RECOMMENDATION

The Directors consider that the terms of the SP Agreement and the transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Had a general meeting been convened for approval of the Acquisition, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Acquisition at such general meeting.

ADDITIONAL INFORMATION

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

On behalf of the Board
Zhuguang Holdings Group Company Limited
Chu Hing Tsung
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2017, 31 December 2018 and 31 December 2019, including the notes thereto, have been published in the annual reports of the Company for the years ended 31 December 2017 (pages 72 to 167), 31 December 2018 (pages 111 to 218) and 31 December 2019 (pages 121 to 223), which are incorporated by reference into this circular. The said annual reports of the Company are available on the Company's website at http://www.zhuguang.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following outstanding indebtedness:

Secured bank loans

As at 31 October 2020, the Enlarged Group had outstanding secured bank loans of approximately HK$9,061,276,000, which were secured by the following: (i) the Group' s investment properties; (ii) the Group's properties under development and completed properties held for sale; (iii) the Target's properties under development; (iv) the Group's term deposits; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*), 梅州御景房地產有限公司 (Meizhou Yujing Property Company Limited*), 廣東海聯大廈有限公司 (Guangdong Hailian Building Company Limited*) and 廣州佳譽投資有限公司 (Guangzhou Jiayu Investment Company Limited*); (vi) the entire equity interest of the Target; (vii) the entire equity interest of a subsidiary of Guangdong Zhuguang Group Company Limited ("**Guangdong Zhuguang Group**"); (viii) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; and (ix) the personal guarantees executed by the executive Directors, namely Mr. Chu Hing Tsung and Mr. Liao Tengjia.

Unsecured and guaranteed bank loans

As at 31 October 2020, the Enlarged Group had outstanding unsecured and guaranteed bank loans of approximately HK$288,278,000, which were guaranteed by (i) the corporate guarantees executed by the Company, Guangdong Zhuguang Group and a subsidiary of Guangdong Zhuguang Group; and (ii) the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung.

** For identification purpose only*

2019 senior secured guaranteed notes

As at 31 October 2020, the Enlarged Group had outstanding senior secured guaranteed notes issued in 2019 in the aggregate principal amount of approximately US$328,000,000 (equivalent to approximately HK$2,558,400,000), which were secured and guaranteed by (i) 3,361,112,000 Shares owned by Rong De; (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) ("**Ai De**"), All Flourish, Capital Fame Investments Limited (嘉鋒投資有限公司) ("**Capital Fame**"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("**Cheng Chang**"), East Orient Investment Limited (達東投資有限公司) ("**East Orient**"), Ever Crown Corporation Limited (冠恒興業有限公司) ("**Ever Crown**"), Fresh International Limited (豐順國際有限公司) ("**Fresh International**"), Fully Wise Investment Limited (惠豐投資有限公司) ("**Fully Wise**"), Pacific Win Investments Limited (保鋒投資有限公司) ("**Pacific Win**"), Polyhero International Limited (寶豪國際有限公司) ("**Polyhero International**"), Profaith International Holdings Limited (盈信國際控股有限公司) ("**Profaith International**"), Talent Wide Holdings Limited (智博控股有限公司) ("**Talent Wide**"), Top Asset Development Limited (通利發展有限公司) ("**Top Asset**"), Top Perfect Development Limited (泰恒發展有限公司) ("**Top Perfect**"), Vanco Investment Limited (雅豪投資有限公司) ("**Vanco Investment**") and World Sharp Investments Limited (華聲投資有限公司) ("**World Sharp**"); (iii) the corporate guarantees executed by Rong De, Zhuguang Group Limited (珠光集團有限公司) ("**Zhuguang Group**"), South Trend, Ai De, All Flourish, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fully Wise, Pacific Win, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, Vanco Investment, Fresh International and World Sharp; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

Other borrowings — secured

As at 31 October 2020, the Enlarged Group had outstanding secured other borrowings of approximately HK$8,540,315,000, which were secured by the following: (i) the Group's properties under development and completed properties held for sale; (ii) the Group's assets under construction included in property and equipment; (iii) the Group's investment properties; (iv) the security provided by Guangdong Zhuguang Group; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*) and 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*); (vi) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (viii) 425,000,000 Shares owned by Rong De; and (ix) 681,240,000 shares in Silver Grant owned by the Company.

** For identification purpose only*

Other borrowings — unsecured and guaranteed

As at 31 October 2020, the Enlarged Group had outstanding unsecured and guaranteed other borrowings of approximately HK$100,000,000, which were guaranteed by the personal guarantee executed by the executive Director, Mr. Chu Hing Tsung.

Lease liability

As at 31 October 2020, the Enlarged Group had outstanding lease liability of approximately HK$14,956,000.

Perpetual capital securities

As at 31 October 2020, the Enlarged Group had outstanding perpetual capital securities with aggregate principal of HK$800,000,000.

Amount due to the ultimate holding company

As at 31 October 2020, the Enlarged Group had outstanding amount due to its ultimate holding company of approximately HK$344,288,000.

Contingent liabilities

The Enlarged Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with mortgage loans entered into by the purchasers of the Enlarged Group's properties. As at 31 October 2020, the outstanding mortgage loan balances utilised by the purchasers amounted to approximately RMB3,192,167,000 (equivalent to approximately HK$3,682,920,000). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Enlarged Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulting purchasers to the banks and the Enlarged Group is entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of the properties.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in its ordinary course of business, the Enlarged Group did not have any other loan capital issued or agreed to be issued, or any outstanding bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at the close of business on 31 October 2020.

For the purpose of the statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 October 2020 (except for amounts in US dollars, which have been translated into Hong Kong dollars using the rate of US$1 equivalent to HK$7.80).

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration and taking into account of the financial resources presently available to the Enlarged Group, are of the opinion that the Enlarged Group will have sufficient working capital for its requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As set out in the Company's annual results announcement for the year ended 31 December 2019 dated 8 May 2020 and the Company's interim results announcement for the six months ended 30 June 2020 dated 28 August 2020, subsequent to the disturbance caused by the trade talk between China and the United States in 2019, the global economy was further hit hard by the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") in early January 2020. Most of the countries around the world have implemented precautionary measures against COVID-19 such as strengthening their border control, social distancing, home quarantine, etc. which brought global business activities to a standstill. The PRC authority has also taken national prevention and control measures to combat the outbreak of COVID-19. The COVID-19 pandemic has certain impacts on the business operations and overall economy in some geographical areas and industries in the PRC. To a certain extent the outbreak may affect the property development and property investment industries in the PRC, and the extent of the impact depends on the duration of the pandemic and the implementation of the regulatory policies and the relevant protective measures. Investors hesitated to purchase properties in China, pending the impact from the pandemic. During the first half of 2020, the unstable market sentiment inevitably caused a negative impact on the Group's performance, in terms of both contracted sales and number of properties delivered. As set out in the Company's interim results announcement for the six months ended 30 June 2020 dated 28 August 2020, the Group has achieved contracted sales of approximately HK$520,126,000 and contracted GFA of approximately 48,721 sq.m. during the six months ended 30 June 2020, representing decreases of approximately 65.8% and 51.6% respectively, compared to those in the corresponding period in 2019. As a result, (i) the Group's total revenue during the six months ended 30 June 2020 decreased by approximately 39.2% from approximately HK$2,202,698,000 for the same period in 2019 to approximately HK$1,339,415,000; and (ii) the Group's profit for the six months ended 30 June 2020 decreased by approximately 66.3% from approximately HK$347,802,000 for the same period in 2019 to approximately HK$117,357,000. Further details of the financial performance of the Group for the six months ended 30 June 2020 are set out in the Company's interim results announcement for the six months ended 30 June 2020 dated 28 August 2020.

As at the Latest Practicable Date, save as disclosed above, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS

Business Review

As mentioned above, the outbreak of COVID-19 has caused certain negative impacts on the Group's performance in the first half of 2020. As the COVID-19 pandemic continues to persist, certain principal business activities of the Group, namely, the property development and the property investment businesses in the PRC, may continue to be adversely affected. The Group will stay alert on the development of COVID-19 and continue to assess the impacts on its financial position and operating results.

Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. During the six months ended 30 June 2020, the Group did not acquire any additional land but certain potential projects were under negotiation. As at 30 June 2020, the Group had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 1,173,653 sq.m. in aggregate. The Group will continue to explore new opportunities for land in cities in the PRC in which the Group has already invested, as well as new cities in the PRC with growth potential and the best investment value.

Outlook

As the instability and volatility of the global economy and the COVID-19 pandemic persist, the Group's businesses may be adversely affected. To cope with the uncertainties, the Group will cautiously review and adjust its business strategies from time to time. With the real estate industry being one of the most important sectors of the Chinese economy, it is expected that the PRC government will continue to steadily implement control policies in relation to the property market and will establish a long-term operation mechanism for the real estate industry.

In view of the above external factors that affect the real estate industry, the Group will continue to actively participate in urban renewal projects and construction projects in first-tier cities in the PRC and the Guangdong-Hong Kong-Macao Greater Bay Area. Up until the end of 2020, the Group's inventory for sale will be its completed projects in Guangzhou, and the Group will continue to step up its efforts to market its projects in the Conghua area in Guangzhou. As at the Latest Practicable Date, the Group's saleable inventory in the Conghua area is relatively abundant. As a result, Conghua will still be a focused sales area of the Group for the rest of 2020, where the Group will continue to pay close attention to the sales in this market.

In terms of land acquisition, the Group will continue to implement its strategy under which it will focus on urban renewal projects to support its medium-term to long-term development, while relying on additional light-asset projects to meet its short-term needs. As the Group will acquire land resources mainly through urban renewal projects in the future, it will leverage on the Company's competitive edge and strengths to boost its urban renewal operations. In addition, the Group will maintain its development at an appropriate scale and focus on delivering high-quality projects to raise its brand reputation.

Upon Completion, the Group will increase its equity interest in the Target from 51% to 100%, thereby allowing the Group to take full ownership of the Guangzhou Land, which is a piece of land held by the Target that is well located in the Tianhe District in Guangzhou. As such, the Acquisition will expand the Enlarged Group's property development business in Guangzhou, a major city in the Guangdong-Hong Kong-Macao Greater Bay Area, which is also a market focus of the Enlarged Group for the coming years.

6. EFFECT OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Immediately after Completion, the Company will hold 100% of the equity interest of the Target. Upon Completion, the profit and loss and assets and liabilities of the Target will be consolidated into those of the Group.

Assets and liabilities

As at 30 June 2020, the unaudited consolidated total assets and total liabilities of the Group amounted to approximately HK$39,284,235,000 and HK$31,690,359,000 respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon Completion, the unaudited pro forma consolidated total assets of the Enlarged Group would increase by approximately HK$4,868,752,000 to approximately HK$44,152,987,000 and the unaudited pro forma consolidated total liabilities of the Enlarged Group would increase by approximately HK$5,224,143,000 to approximately HK$36,914,502,000, assuming the Completion had taken place on 30 June 2020.

Earnings

Given that the financial results of the Target will be consolidated into those of the Group after Completion, the earnings of the Group will be affected by the performance of the Target in the future.

Further details of the financial effect of the Acquisition on the Group together with the bases in preparing the unaudited pro forma financial information of the Enlarged Group are set out in Appendix III to this circular.

7. ACQUISITIONS OR PROPOSED ACQUISITIONS AFTER 31 DECEMBER 2019 BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP WERE MADE UP

(a) All Flourish Acquisition

On 18 September 2019, South Trend, as purchaser, Quan Xing, as vendor, and Mr. Cheung Fong Wing, as guarantor, entered into a sale and purchase agreement in relation to the acquisition of 100% of the issued share capital of All Flourish at the consideration of RMB1,050 million (equivalent to approximately HK$1,165.7) million ("**All Flourish Acquisition**"), which was settled in cash. All Flourish is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. All Flourish holds 100% of the equity interests of the Purchaser and the Purchaser in turn holds 51% of the equity interests of the Target. The All Flourish Acquisition was completed in March 2020, upon which All Flourish and the Purchaser have become indirect wholly-owned subsidiaries of the Company. While the financial results of All Flourish and the Purchaser have been consolidated into the Group's financial statements after completion of the All Flourish Acquisition, the financial results of the Target have not been consolidated into those of the Group under the applicable accounting standards but have been equity accounted for as a joint venture. Further details of the All Flourish Acquisition are set out in the announcement of the Company dated 18 December 2019.

There is no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of the All Flourish Acquisition.

(b) RC Acquisition

On 19 June 2020, Guangzhou Rongcheng Investment Development Company Limited* (廣州融晟投資發展有限公司) ("**Guangzhou Rongcheng**"), as vendor, and United Talent Investments Limited ("**United Talent**") (a wholly-owned subsidiary of the Company), as purchaser, entered into an agreement pursuant to which Guangzhou Rongcheng has agreed to sell, and United Talent has agreed to acquire, 10% equity interest of Guangzhou Yuhong Investment Company Limited* (廣州御宏投資有限公司) ("**Guangzhou Yuhong**") at nil consideration ("**RC Acquisition**"). Completion of the RC Acquisition ("**RC Completion**") took place on 9 July 2020. Immediately before the RC Completion, the equity interest in Guangzhou Yuhong was owned as to 90% by United Talent and 10% by Guangzhou Rongcheng. Immediately after the RC Completion, the entire equity interest in Guangzhou Yuhong was held by United Talent. Guangzhou Yuhong is a co-operative joint venture established in the PRC and is principally engaged in the provision of business services (商務服務業). Further details of the RC Acquisition are set out in the announcement and the circular of the Company dated 19 June 2020 and 24 June 2020, respectively.

There is no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of the RC Acquisition.

* *For identification purpose only*

(A) ACCOUNTANTS' REPORT ON THE TARGET

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

EY 安永

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

The Directors
Zhuguang Holdings Group Company Limited

Dear Sirs,

We report on the historical financial information of Guangzhou Development Automobile City Co., Ltd. (廣州發展汽車城有限公司) (the "**Target**") set out on pages II-4 to II-34, 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 for each of the years ended 31 December 2017, 2018 and 2019, and the eight months ended 31 August 2020 (the "**Relevant Periods**"), and the statements of financial position of the Target as at 31 December 2017, 2018 and 2019 and 31 August 2020 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-34 forms an integral part of this report, which has been prepared for inclusion in the circular of Zhuguang Holdings Group Company Limited (the "**Company**") dated 24 December 2020 (the "**Circular**") in connection with the acquisition of 49% of the equity interest of the Target (the "**Acquisition**").

Directors' responsibility for the Historical Financial Information

The directors of the Target (the "**Target Directors**") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Target 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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 Target 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 as at 31 December 2017, 2018 and 2019 and 31 August 2020 and of the financial performance and cash flows of the Target for the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the eight months ended 31 August 2019 and other explanatory information (the "**Interim Comparative Financial Information**"). The Target Directors are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. 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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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

Adjustments

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

Dividends

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

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
24 December 2020

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Target 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			Eight months ended 31 August	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Other income	6	2,644	15	5	2	235
Administrative expenses		(3,260)	(34,507)	(66,732)	(48,224)	(34,164)
Selling and distribution expenses		—	(2)	(2,669)	(472)	(5,399)
Other expenses, net		(15,322)	20,670	(34,364)	(56,843)	27,046
Finance costs	7	(247,332)	(191,127)	(32,489)	(17,571)	—
LOSS BEFORE TAX	8	(263,270)	(204,951)	(136,249)	(123,108)	(12,282)
Income tax	9	—	—	—	—	—
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(263,270)	(204,951)	(136,249)	(123,108)	(12,282)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 August
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSET					
Property, plant and equipment	11	—	—	179	375
CURRENT ASSETS					
Properties under development	12	30,450	1,771,905	4,205,504	4,523,675
Prepayments and other receivables	13	1,277,779	1,161	2,001,046	234,155
Cash and cash equivalents	14	392	689	452	39,287
Prepaid tax		—	—	4,637	5,074
Total current assets		1,308,621	1,773,755	6,211,639	4,802,191
CURRENT LIABILITIES					
Trade and other payables	15	9,774	684,177	1,284,966	846,468
Contract liabilities		—	—	—	38,266
Interest-bearing bank and other borrowings	16	4,318	2,502,898	1,999,817	154,608
Total current liabilities		14,092	3,187,075	3,284,783	1,039,342
NET CURRENT ASSETS/(LIABILITIES)		1,294,529	(1,413,320)	2,926,856	3,762,849
TOTAL ASSETS LESS CURRENT LIABILITIES		1,294,529	(1,413,320)	2,927,035	3,763,224
NON-CURRENT LIABILITY					
Interest-bearing bank and other borrowings	16	2,502,898	—	2,001,604	2,850,075
Net (liabilities)/assets		(1,208,369)	(1,413,320)	925,431	913,149
EQUITY/(DEFICIENCY IN ASSETS)					
Paid-up capital	17	460,000	460,000	901,961	901,961
Reserves		(1,668,369)	(1,873,320)	23,470	11,188
Total (deficiency in assets)/equity		(1,208,369)	(1,413,320)	925,431	913,149

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target			
	Paid-up capital	**Accumulated losses**	**Capital surplus**	**Total equity/ (deficiency in assets)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	460,000	(1,405,099)	—	(945,099)
Loss and total comprehensive loss for the year	—	(263,270)	—	(263,270)
At 31 December 2017 and 1 January 2018	460,000	(1,668,369)*	—*	(1,208,369)
Loss and total comprehensive loss for the year	—	(204,951)	—	(204,951)
At 31 December 2018 and 1 January 2019	460,000	(1,873,320)*	—*	(1,413,320)
Capital contribution from equity holders	441,961	—	2,033,039	2,475,000
Loss and total comprehensive loss for the year	—	(136,249)	—	(136,249)
At 31 December 2019 and 1 January 2020	901,961	(2,009,569)*	2,033,039*	925,431
Loss and total comprehensive loss for the period	—	(12,282)	—	(12,282)
At 31 August 2020	901,961	(2,021,851)*	2,033,039*	913,149
Eight months ended 31 August 2019 (unaudited)				
At 1 January 2019	460,000	(1,873,320)	—	(1,413,320)
Capital contribution from equity holders	441,961	—	2,033,039	2,475,000
Loss and total comprehensive loss for the period	—	(123,108)	—	(123,108)
At 31 August 2019	901,961	(1,996,428)	2,033,039	938,572

* These reserve accounts comprise the negative reserve of RMB1,668,369,000, negative reserve of RMB1,873,320,000, reserve of RMB23,470,000 and reserve of RMB11,188,000 in the statements of financial position as at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively.

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	Eight months ended 31 August 2019 RMB'000 (Unaudited)	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(263,270)	(204,951)	(136,249)	(123,108)	(12,282)
Adjustments for:						
Interest income	6	(2)	(11)	(5)	(2)	(55)
Finance costs	7	247,332	191,127	32,489	17,571	—
Depreciation	8	—	—	20	17	27
Impairment/(reversal of impairment) of other receivables	8	15,163	(20,677)	33,611	56,424	(27,046)
		(777)	(34,512)	(70,134)	(49,098)	(39,356)
Increase in properties under development		(7,094)	(1,686,900)	(1,991,505)	(1,810,321)	(100,537)
Increase in prepayments and other receivables		(313)	(177)	(10,797)	(930)	(9,179)
Increase/(decrease) in trade and other payables		1,133	420,519	360,803	181,569	(38,498)
Increase in contract liabilities		—	—	—	—	38,266
Cash used in operating activities		(7,051)	(1,301,070)	(1,711,633)	(1,678,780)	(149,304)
Interest paid		(218,555)	(245,682)	(474,583)	(285,937)	(217,634)
Tax paid		—	—	(4,637)	—	(437)
Net cash flows used in operating activities		(225,606)	(1,546,752)	(2,190,853)	(1,964,717)	(367,375)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment		—	—	(199)	(190)	(223)
Repayment from related parties		—	—	—	—	1,803,116
Repayment from/(advance to) third parties		219,055	1,297,472	(2,022,699)	(2,284,781)	—
Interest received		2	11	5	2	55
Net cash flows from/(used in) investing activities		219,057	1,297,483	(2,022,893)	(2,284,969)	1,802,948

STATEMENTS OF CASH FLOWS *(continued)*

		Year ended 31 December			Eight months ended 31 August	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bank and other borrowings		—	—	1,999,817	2,034,378	3,004,683
Repayment of bank and other borrowings		(116)	(4,318)	(501,294)	—	(4,001,421)
Advance from/(repayments to) third parties, net		6,130	253,884	239,986	(260,014)	(400,000)
Capital contribution from equity holders		—	—	2,475,000	2,475,000	—
Net cash flows from/(used in) financing activities		6,014	249,566	4,213,509	4,249,364	(1,396,738)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(535)	297	(237)	(322)	38,835
Cash and cash equivalents at beginning of year/period		927	392	689	689	452
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	14	392	689	452	367	39,287

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target was established in the People's Republic of China (the "**PRC**" or "**Mainland China**") on 21 April 1967. The registered address of the Target is Shixicun, Dongpu, East Huangpu Avenue, Tianhe District, Guangzhou. The Target is principally engaged in property development in Mainland China.

As at 31 August 2020, the Target is owned as to 51% by Pacific Win Investments Limited, a wholly-owned subsidiary of the Company, and 49% by Guangdong Zhuguang Group Company Limited ("**Guangdong Zhuguang**"), a limited liability company established in the PRC.

2.1 BASIS OF PRESENTATION

The Target financed its operation by funding from its equity holders and obtaining borrowings from third parties. The Historical Financial Information has been prepared under the going concern basis because, in the opinion of the Target Directors, the Target will have sufficient cash resources from its operations to meet its liabilities as and when they fall due. The Company has also agreed to provide continual financial support to the Target to meet the Target's liabilities as and when they fall due.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2020, together with all relevant transitional provisions, have been early adopted by the Target in the preparation of the Historical Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information.

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

3.1 ISSUED BUT NOT YET EFFECTIVE HKFRSS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions*[1]
HKFRS 17	*Insurance Contracts*[4]
Amendments to HKFRS 17	*Insurance Contracts*[4]
Amendments to HKFRS 4	*Extension of the Temporary Exemption from Applying HKFRS 9*[4]
Hong Kong Interpretation 5 (2020)	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*[4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[3]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, HKAS 41 and Illustrative Examples accompanying HKFRS 16*[3]

1 Effective for annual periods beginning on or after 1 June 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 Effective for annual periods beginning on or after 1 January 2023
5 No mandatory effective date yet determined but available for adoption

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

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

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of 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.

Related parties

A party is considered to be related to the Target 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;
- (ii) has significant influence over the Target; or
- (iii) is a member of the key management personnel of the Target or of a parent of the Target;

or

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

- (i) the entity and the Target are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Target 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 or an entity related to the Target;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target or to the parent of the Target.

Property, plant and equipment and depreciation

Property, plant and equipment 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 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:

Furniture and fixtures	20%
Motor vehicles	20%

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

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

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost 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'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 has applied the practical expedient of not adjusting the effect of a significant financing component, the Target 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 has applied the practical expedient are measured at the transaction price determined under HKFRS 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, 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'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 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 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's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target 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 has transferred substantially all the risks and rewards of the asset, or (b) the Target has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

The Target 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 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 assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target 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 considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target may also consider a financial asset to be in default when internal or external information indicates that the Target is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target. 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 and contract assets 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

Financial liabilities at amortised cost

Initial recognition and measurement

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

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

The Target's financial liabilities include trade and other payables, 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 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.

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

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

Revenue recognition

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.

Employee benefits

The employees of the Target which operates in Mainland China are required to participate in a central pension scheme (the "**Pension Scheme**") operated by the local municipal government. The Target is required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Target with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Pension Scheme.

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 transfers the related goods or services. Contract liabilities are recognised as revenue when the Target performs under the contract (i.e., transfers control of the related goods or services to the customer).

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

Interim dividends are simultaneously proposed and declared, because the Target's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders. Proposed final dividends are disclosed in the notes to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Provision for expected credit losses on other receivables

The Target uses a probability of default approach to calculate ECLs for other receivables. Impairment losses on other receivables were measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The probability of default approach was the estimation of the likelihood of default over a given time horizon. It is defined as the probability of default of a counterparty over a one-year period or over the remaining time to maturity depending on either 12-month expected credit losses or lifetime expected credit losses. Probability of default is initially estimated based on the credit rating of the borrower provided by external rating agencies. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the counterparties. The Target will adjust the historical credit loss experience with an economic adjustment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment review of properties under development

Properties under development are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties under development in the periods in which such estimate is changed will be adjusted accordingly.

5. SEGMENT INFORMATION

The Target is principally engaged in property development in the PRC. The Target Directors are identified as the chief operating decision maker for the purposes of resource allocation and performance assessment and considered the property development business to be a single operating segment. Accordingly, no segment information is reported. For the Relevant Periods, all non-current assets of the Target are located in the PRC.

6. OTHER INCOME

An analysis of other income is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	2	11	5	2	55
Others	2,642	4	—	—	180
	2,644	15	5	2	235

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on borrowings	250,153	245,682	474,583	285,937	217,634
Less: Interest capitalised	(2,821)	(54,555)	(442,094)	(268,366)	(217,634)
	247,332	191,127	32,489	17,571	—

8. LOSS BEFORE TAX

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

	Year ended 31 December			Eight months ended 31 August	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Depreciation *(note 11)*	—	—	20	17	27
Auditor's remuneration	38	38	71	28	—
Directors' remuneration	—	—	—	—	399
Impairment/(reversal of impairment) of other receivables* *(note 13)*	15,163	(20,677)	33,611	56,424	(27,046)
Employee benefit expenses (including directors' remuneration):					
Salaries and other staff costs	2,218	27,377	32,370	27,947	20,433
Pension scheme contributions	262	2,909	3,039	2,285	1,247
	2,480	30,286	35,409	30,232	21,680

* Included in "Other expenses, net" in the statements of profit or loss and other comprehensive income.

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Target did not generate any assessable profits arising in Hong Kong during the Relevant Periods. Taxes on profits assessable in Mainland China have been calculated at the rate of tax prevailing in the city in which the Target operates.

A reconciliation of the tax amount applicable to loss before tax at the statutory rates for the jurisdictions in which the Target is domiciled to the tax amount at the effective tax rates is as follows:

	Year ended 31 December			**Eight months ended 31 August**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loss before tax	(263,270)	(204,951)	(136,249)	(123,108)	(12,282)
Tax at the statutory tax rates of different jurisdictions	(65,818)	(51,238)	(34,062)	(30,777)	(3,071)
Income not subject to tax	—	(5,169)	—	—	(6,762)
Expenses not deductible for tax	3,791	—	8,403	14,106	—
Tax losses not recognised	62,027	56,407	25,659	16,671	9,833
Tax at the Target's effective tax rate	—	—	—	—	—

10. DIVIDENDS

No dividend has been paid or declared by the Target during the Relevant Periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Total RMB'000
31 December 2017, 2018 and 2019			
At 1 January 2017, 2018 and 2019:			
Cost	—	—	—
Accumulated depreciation	—	—	—
Net carrying value	—	—	—
At 1 January 2017, 2018 and 2019, net of accumulated depreciation	—	—	—
Addition	162	37	199
Depreciation	—	(20)	(20)
At 31 December 2019, net of accumulated depreciation	162	17	179
At 31 December 2019:			
Cost	162	37	199
Accumulated depreciation	—	(20)	(20)
Net carrying value	162	17	179
31 August 2020			
At 1 January 2020:			
Cost	162	37	199
Accumulated depreciation	—	(20)	(20)
Net carrying value	162	17	179
At 1 January 2020, net of accumulated depreciation	162	17	179
Addition	143	80	223
Depreciation	(10)	(17)	(27)
At 31 August 2020, net of accumulated depreciation	295	80	375
At 31 August 2020:			
Cost	305	117	422
Accumulated depreciation	(10)	(37)	(47)
Net carrying value	295	80	375

12. PROPERTIES UNDER DEVELOPMENT

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development expected to be completed within normal operating cycle and classified as current assets, are expected to be recoverable after one year	30,450	1,771,905	4,205,504	4,523,675

At 31 December 2017, 2018 and 2019 and 31 August 2020, the Target's properties under development, including the relevant land use rights, with an aggregate carrying amount of approximately RMB30,450,000, RMB1,771,905,000, RMB4,205,504,000 and RMB4,523,675,000, respectively, were pledged to secure certain borrowings granted to the Target (note 16).

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to third parties	231	694	8,906	17,084
Other receivables with related parties	—	—	—	219,595
Other receivables with third parties	1,298,225	467	2,025,751	4,041
	1,298,456	1,161	2,034,657	240,720
Impairment allowance	(20,677)	—	(33,611)	(6,565)
	1,277,779	1,161	2,001,046	234,155

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

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	5,514	20,677	—	33,611
Impairment/(reversal of impairment) of other receivables *(note 8)*:				
New receivables	—	—	33,611	—
Receivables settled during the year/period	—	(20,677)	—	(27,046)
Change in risk parameters	15,163	—	—	—
At end of year/period	20,677	—	33,611	6,565

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default and the timing and amount of future cash flows. As at 31 December 2017 and 2019 and 31 August 2020, the probability of default applied was 2.79%, 4.32% and 4.32%, respectively, and the loss given default was estimated to be 62.38%, 61.87% and 61.87%, respectively.

14. CASH AND CASH EQUIVALENTS

As at 31 December 2017, 2018 and 2019 and 31 August 2020, the cash and cash equivalents of the Target were denominated in RMB. 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 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. All the bank balances are deposited with creditworthy banks with no recent history of default.

15. TRADE AND OTHER PAYABLES

		As at 31 December			As at 31 August
		2017	**2018**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables to related parties	*(a)*	—	—	—	2,204
Trade payables to third parties	*(a)*	1,001	5,127	119,873	101,490
Other payables to third parties	*(b)*	8,773	679,050	1,165,093	742,774
		9,774	684,177	1,284,966	846,468

Notes:

(a) 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:

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,001	5,127	119,873	103,694

The trade payables are non-interest-bearing and unsecured.

(b) Other payables to third parties are non-trade in nature, unsecured, interest-free and repayable on demand.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December									As at 31 August		
	2017			2018			2019			2020		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current:												
Bank borrowings — secured			—			—			—	6.08%	2021	154,608
Other borrowings — secured	10.2%	2018	4,318	10.2%	2019	2,502,898	15.5%	2020	1,999,817			—
			4,318			2,502,898			1,999,817			154,608
Non-current:												
Bank borrowings — secured			—			—			—	6.08%	2024	2,850,075
Other borrowings — secured	10.2%	2019	2,502,898			—	14.2%	2021	2,001,604			—
			2,502,898			—			2,001,604			2,850,075

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank borrowings repayable:				
Within one year	—	—	—	154,608
In the second year	—	—	—	303,061
In the third to fifth years, inclusive	—	—	—	2,547,014
	—	—	—	3,004,683
Other borrowings repayable:				
Within one year	4,318	2,502,898	1,999,817	—
In the second year	2,502,898	—	2,001,604	—
	2,507,216	2,502,898	4,001,421	—
	2,507,216	2,502,898	4,001,421	3,004,683

Notes:

Certain of the Target's bank and other borrowings are secured or guaranteed by:

(i) pledges over the Target's 100% equity;

(ii) pledges over the Target's properties under development (note 12) at the end of each of the Relevant Periods; and

(iii) guarantees executed by Guangdong Zhuguang and a director of the Company.

17. PAID-UP CAPITAL

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered capital:	460,000	460,000	901,961	901,961
Paid-up capital:	460,000	460,000	901,961	901,961

A summary of movements in the Target's paid-up capital is as follows:

	Paid-up capital
	RMB'000
At 1 January 2017, 31 December 2017, 31 December 2018 and 1 January 2019	460,000
Capital contribution from equity holders	441,961
At 31 December 2019 and 31 August 2020	901,961

18. NOTE TO THE STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Other payables to third parties
	RMB'000	*RMB'000*
At 1 January 2017	2,507,332	1,440
Changes from operating cash flows	—	1,203
Changes from financing cash flows	(116)	6,130
At 31 December 2017 and 1 January 2018	2,507,216	8,773
Changes from operating cash flows	—	416,393
Changes from financing cash flows	(4,318)	253,884
At 31 December 2018 and 1 January 2019	2,502,898	679,050
Changes from operating cash flows	—	246,057
Changes from financing cash flows	1,498,523	239,986
At 31 December 2019 and 1 January 2020	4,001,421	1,165,093
Changes from operating cash flows	—	(22,319)
Changes from financing cash flows	(996,738)	(400,000)
At 31 August 2020	3,004,683	742,774

19. COMMITMENTS

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

	As at 31 December			As at 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Properties under development	—	1,446,894	185,284	155,809

20. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Target had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Eight months ended 31 August
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Service fee payable to a subsidiary of the Company *(Note)*	—	—	—	3,333

Note: The above transaction was conducted in accordance with the terms of the underlying agreement.

(b) Compensation of key management personnel of the Target

In the opinion of the Target Directors, the directors of the Target represented the key management personnel of the Target and details of the compensation of the key management personnel are set out in note 8 to the Historical Financial Information.

21. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Target as at the end of each of the Relevant Periods are financial assets and financial liabilities at amortised cost.

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The carrying amounts of the non-current portion of bank and other borrowings approximate to their fair values. The fair values of the non-current portion of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Target's own non-performance risk for bank and other borrowings as at 31 December 2017, 2018 and 2019 and 31 August 2020 were assessed to be insignificant.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target's principal financial instruments include other receivables, cash and cash equivalents, trade and other payables and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Target's operations. The Target has various other financial liabilities such as trade payables, which arise directly from its operations.

The main risks arising from the Target's financial instruments are credit risk and liquidity risk. The Target Directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The table below shows the credit quality and the maximum exposure to credit risk based on the Target's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2017, 2018 and 2019 and 31 August 2020. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables*	1,298,225	—	—	—	1,298,225
Cash and cash equivalents	392	—	—	—	392
	1,298,617	—	—	—	1,298,617

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables*	467	—	—	—	467
Cash and cash equivalents	689	—	—	—	689
	1,156	—	—	—	1,156

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables*	2,025,751	—	—	—	2,025,751
Cash and cash equivalents	452	—	—	—	452
	2,026,203	—	—	—	2,026,203

As at 31 August 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables*	223,636	—	—	—	223,636
Cash and cash equivalents	39,287	—	—	—	39,287
	262,923	—	—	—	262,923

* The credit quality of the financial assets included in other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Target monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Target's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

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

As at 31 December 2017

	Within one year	**In the second year**	**In the third to fifth years, inclusive**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	9,774	—	—	9,774
Interest-bearing bank and other borrowings	250,000	2,706,944	—	2,956,944
	259,774	2,706,944	—	2,966,718

As at 31 December 2018

	Within one year	**In the second year**	**In the third to fifth years, inclusive**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	684,177	—	—	684,177
Interest-bearing bank and other borrowings	2,706,944	—	—	2,706,944
	3,391,121	—	—	3,391,121

As at 31 December 2019

	Within one year *RMB'000*	In the second year *RMB'000*	In the third to fifth years, inclusive *RMB'000*	Total *RMB'000*
Trade and other payables	1,284,966	—	—	1,284,966
Interest-bearing bank and other borrowings	2,389,833	2,046,222	—	4,436,055
	3,674,799	2,046,222	—	5,721,021

As at 31 August 2020

	Within one year *RMB'000*	In the second year *RMB'000*	In the third to fifth years, inclusive *RMB'000*	Total *RMB'000*
Trade and other payables	846,468	—	—	846,468
Interest-bearing bank and other borrowings	326,386	460,977	2,768,280	3,555,643
	1,172,854	460,977	2,768,280	4,402,111

Capital management

The primary objectives of the Target's capital management are to safeguard the Target'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 monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Total capital comprises total equity/(deficiency in assets) plus net debt. The Target's policy is to maintain a healthy and stable gearing ratio. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 31 August
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	2,507,216	2,502,898	4,001,421	3,004,683
Less: Cash and cash equivalents	(392)	(689)	(452)	(39,287)
Net debt	2,506,824	2,502,209	4,000,969	2,965,396
Total (deficiency in assets)/equity	(1,208,369)	(1,413,320)	925,431	913,149
Total capital	1,298,455	1,088,889	4,926,400	3,878,545
Gearing ratio	193%	230%	81%	76%

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target in respect of any period subsequent to 31 August 2020.

(B) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET FOR EACH OF THE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019 AND FOR THE EIGHT MONTHS ENDED 31 AUGUST 2020

The management discussion and analysis of the Target for year ended 31 December 2017 ("**Year 2017**"), the year ended 31 December 2018 ("**Year 2018**"), the year ended 31 December 2019 ("**Year 2019**") and the eight months ended 31 August 2020 ("**Period 2020**") are set out as follows:

Business review

The Target is a company established under the laws of the PRC with limited liability, the principal business activity of which is property development. The principal asset of the Target is the Guangzhou Land with a total site area of approximately 63,637 sq.m., which will be developed, through the Project, into buildings for office, apartment and commercial uses with total GFAs for sale and for development of approximately 352,158 sq.m. and 360,655 sq.m., respectively. The Project is comprised of four phases of development. Construction of Phase I of the Project was launched in the first half of Year 2019 and pre-sale of properties under this phase of the Project commenced in July 2020. As at 31 August 2020, Phase I to Phase III of the Project were under construction.

Financial review

Revenue

The Target did not record any revenue during any of Year 2017, Year 2018, Year 2019 and Period 2020, given that pre-sale of Phase I of the Project only commenced in July 2020.

Administrative expenses

The Target's administrative expenses, which consisted mainly of employee benefit expenses and professional fees, amounted to approximately RMB3,260,000, RMB34,507,000, RMB66,732,000 and RMB34,164,000 for Year 2017, Year 2018, Year 2019 and Period 2020, respectively. The administrative expenses peaked in Year 2019 mainly due to the increase in the number of employees hired and the substantial amounts of professional fees incurred by the Target in preparation for the construction of the development under the Project, which commenced in the first half of Year 2019.

Other expenses, net

Other expenses, net, of the Target amounted to approximately RMB15,322,000, RMB20,670,000 (credit), RMB34,364,000 and RMB27,046,000 (credit) for Year 2017, Year 2018, Year 2019 and Period 2020, respectively. The turnaround recorded by the Target in Year 2018 and Period 2020 was mainly attributable to the reversal of impairment of other receivables (consisting of other receivables with related parties and other receivables with third parties) recognised by the Target in Year 2018 and Period 2020, as compared to the impairment of other receivables (consisting of other receivables with related parties and other receivables with third parties) recorded by the Target in Year 2017 and Year 2019.

Finance costs

While the Target recorded finance costs of approximately RMB247,332,000, RMB191,127,000 and RMB32,489,000 for Year 2017, Year 2018 and Year 2019, respectively, it did not record any finance costs for Period 2020. Finance costs, which were made up of interest expenses incurred on bank and other borrowings, decreased sharply from Year 2018 to Year 2019, given that the Target started to capitalise part of its interest expenses incurred on borrowings into its development costs after construction of the first phase of the Project commenced in the first half of 2019. All the finance costs incurred in Period 2020 were capitalised into the development costs of the Project.

Loss for the year/period

The Target recorded a net loss of approximately RMB263,270,000, RMB204,951,000, RMB136,249,000 and RMB12,282,000 for Year 2017, Year 2018, Year 2019 and Period 2020, respectively.

Treasury and funding policies

For Year 2017, Year 2018, Year 2019 and Period 2020, the primary objectives of the Target's capital management were to safeguard the Target's ability to continue as a going concern and to maintain healthy capital ratios to support its business and maximise its equity holders' value. The Target adopted a prudent approach with respect to its treasury and funding policies, and its financial and fundraising activities were subject to effective management and supervision with an emphasis on risk management.

Liquidity, financial resources and gearing ratio

For Year 2017

As at 31 December 2017, the Target's cash and cash equivalents amounted to approximately RMB392,000, which were all denominated in RMB. The cash and cash equivalents were held in the form of cash at bank and in hand.

During Year 2017, the Target funded its operation mainly by other borrowings, which were interest-bearing. Generally, there was no seasonality in relation to the borrowing requirements of the Target. As at 31 December 2017, the Target had borrowings consisting of (i) other borrowings of approximately RMB4,318,000 due in 2018; and (ii) other borrowings of approximately RMB2,502,898,000 due in 2019, which were all denominated in RMB. The entire equity interest of the Target and the Target's properties under development (including the related land use rights) were pledged to secure certain of such other borrowings. All of the total other borrowings outstanding as at 31 December 2017 carried fixed interest rate of 10% per annum.

The Target monitored its capital using the gearing ratio, which was equal to net debt (i.e. interest-bearing bank and other borrowings less cash and cash equivalents) over total capital (i.e. total equity or deficiency in assets plus net debt). As at 31 December 2017, the Target's gearing ratio was 193%.

For Year 2018

As at 31 December 2018, the Target's cash and cash equivalents amounted to approximately RMB689,000, which were all denominated in RMB. The cash and cash equivalents were held in the form of cash at bank and in hand.

During Year 2018, the Target funded its operation mainly by other borrowings, which were all interest-bearing. Generally, there was no seasonality in relation to the borrowing requirements of the Target. As at 31 December 2018, the Target had borrowings consisting solely of other borrowings of approximately RMB2,502,898,000 due in 2019, which were all denominated in RMB. The entire equity interest of the Target and the Target's properties under development (including the related land use rights) were pledged to secure certain of such other borrowings. All of the other borrowings outstanding as at 31 December 2018 carried fixed interest rate of 10% per annum.

The Target monitored its capital using the gearing ratio, which was equal to net debt (i.e. interest-bearing bank and other borrowings less cash and cash equivalents) over total capital (i.e. total equity or deficiency in assets plus net debt). As at 31 December 2018, the Target's gearing ratio was 230%.

For Year 2019

As at 31 December 2019, the Target's cash and cash equivalents amounted to approximately RMB452,000, which were all denominated in RMB. The cash and cash equivalents were held in the form of cash at bank and in hand.

During Year 2019, the Target funded its operation mainly by other borrowings, which were all interest-bearing. Generally, there was no seasonality in relation to the borrowing requirements of the Target. As at 31 December 2019, the Target had borrowings consisting of (i) other borrowings of approximately RMB1,999,817,000 due in 2020; and (ii) other borrowings of approximately RMB2,001,604,000 due in 2021, which were all denominated in RMB. The entire equity interest of the Target and the Target's properties under development (including the related land use rights) were pledged to secure certain of such other borrowings. All of the other borrowings outstanding as at 31 December 2019 carried fixed interest rates, ranging from 13% per annum to 15% per annum.

The Target monitored its capital using the gearing ratio, which was equal to net debt (i.e. interest-bearing bank and other borrowings less cash and cash equivalents) over total capital (i.e. total equity or deficiency in assets plus net debt). As at 31 December 2019, the Target's gearing ratio was 81%.

For Period 2020

As at 31 August 2020, the Target's cash and cash equivalents amounted to approximately RMB39,287,000, which were all denominated in RMB. The cash and cash equivalents were held in the form of cash at bank and cash in hand.

During Period 2020, the Target funded its operation mainly by bank borrowings, which were all interest-bearing. Generally, there was no seasonality in relation to the borrowing requirements of the Target. As at 31 August 2020, the Target had borrowings consisting of (i) bank borrowings of approximately RMB154,608,000 due in 2021; and (ii) bank borrowings of approximately RMB2,850,075,000 due in 2024, which were all denominated in RMB. The entire equity interest of the Target and the Target's properties under development (including the related land use rights) were pledged to secure certain of such bank borrowings and other borrowings. All of the total bank borrowings outstanding as at 31 August 2020 carried fixed interest rate of 5.79% per annum.

The Target monitored its capital using the gearing ratio, which was equal to net debt (i.e. interest-bearing bank and other borrowings less cash and cash equivalents) over total capital (i.e. total equity or deficiency in assets plus net debt). As at 31 August 2020, the Target's gearing ratio was 76%.

Capital structure

For Year 2017

As at 31 December 2017, the Target's registered capital of RMB460,000,000 had been fully paid up.

For Year 2018

As at 31 December 2018, the Target's registered capital of RMB460,000,000 had been fully paid up.

For Year 2019

During Year 2019, approximately RMB441,961,000 was injected into the capital of the Target by one of its equity holders. As at 31 December 2019, the Target's registered capital of approximately RMB901,961,000 had been fully paid up.

For Period 2020

As at 31 August 2020, the Target's registered capital of approximately RMB901,961,000 had been fully paid up.

Foreign exchange exposure

During Year 2017, Year 2018, Year 2019 and Period 2020, the Target conducted its business solely in RMB, its functional currency. In addition, the assets and liabilities of the Target were denominated in RMB. As such, the Target was not exposed to any foreign currency exchange risk and it had not used any financial instrument for hedging purposes during Year 2017, Year 2018, Year 2019 and Period 2020.

Capital commitments

For Year 2017

As at 31 December 2017, the Target had no capital commitments which were contracted but not provided for.

For Year 2018

As at 31 December 2018, the Target had capital commitments in relation to properties under development of approximately RMB1,446,894,000 which were contracted but not provided for.

For Year 2019

As at 31 December 2019, the Target had capital commitments in relation to properties under development of approximately RMB185,284,000 which were contracted but not provided for.

For Period 2020

As at 31 August 2020, the Target had capital commitments in relation to properties under development of approximately RMB155,809,000 which were contracted but not provided for.

Charges of assets

For Year 2017

Other than properties under development (including the relevant land use rights) with an aggregate carrying amount of approximately RMB30,450,000 which were pledged to secure certain bank and other borrowings of the Target, no other assets of the Target were subject to any charge as at 31 December 2017.

For Year 2018

Other than properties under development (including the relevant land use rights) with an aggregate carrying amount of approximately RMB1,771,905,000 which were pledged to secure certain bank and other borrowings of the Target, no other assets of the Target were subject to any charge as at 31 December 2018.

For Year 2019

Other than properties under development (including the relevant land use rights) with an aggregate carrying amount of approximately RMB4,205,504,000 which were pledged to secure certain bank and other borrowings of the Target, no other assets of the Target were subject to any charge as at 31 December 2019.

For Period 2020

Other than properties under development (including the relevant land use rights) with an aggregate carrying amount of approximately RMB4,523,675,000 which were pledged to secure certain bank and other borrowings of the Target, no other assets of the Target were subject to any charge as at 31 August 2020.

Contingent liabilities

As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 August 2020, the Target had no significant contingent liabilities.

Significant investments

The Target did not hold any significant investments during Year 2017, Year 2018, Year 2019 and Period 2020.

Material acquisitions and disposals

The Target had not acquired or disposed of any subsidiaries, associates or joint ventures during Year 2017, Year 2018, Year 2019 and Period 2020.

Business prospects

During Year 2017, Year 2018, Year 2019 and Period 2020, as the Target focused on the development of the Guangzhou Land, it had not introduced or announced any new product or service.

Segmental information

During Year 2017, Year 2018, Year 2019 and Period 2020, the Target operated with only one reportable and operating segment, being property development. As such, there was no segmental information prepared for Year 2017, Year 2018, Year 2019 and Period 2020.

Future plans for material investments or capital assets

For Year 2017

As at 31 December 2017, the Target did not have any plans for material investments or capital assets.

For Year 2018

As at 31 December 2018, the Target did not have any plans for material investments or capital assets.

For Year 2019

As at 31 December 2019, the Target did not have any plans for material investments or capital assets.

For Period 2020

As at 31 August 2020, the Target did not have any plans for material investments or capital assets.

Employees and remuneration policy

For Year 2017

As at 31 December 2017, the Target had 62 employees. During Year 2017, the Target's total amount of employee benefit expenses amounted to approximately RMB2,480,000. The remuneration packages for the employees of the Target, which comprised salaries, allowances and discretionary bonuses, were in line with the market level of remuneration in the industry. The Target also offered training programs, including training on updates of accounting standards and training on market updates, to its employees during Year 2017.

For Year 2018

As at 31 December 2018, the Target had 77 employees. During Year 2018, the Target's total amount of employee benefit expenses amounted to approximately RMB30,286,000. The remuneration packages for the employees of the Target, which comprised salaries, allowances and discretionary bonuses, were in line with the market level of remuneration in the industry. The Target also offered training programs, including training on updates of accounting standards and training on market updates, to its employees during Year 2018.

For Year 2019

As at 31 December 2019, the Target had 91 employees. During Year 2019, the Target's total amount of employee benefit expenses amounted to approximately RMB35,409,000. The remuneration packages for the employees of the Target, which comprised salaries, allowances and discretionary bonuses, were in line with the market level of remuneration in the industry. The Target also offered training programs, including training on updates of accounting standards and training on market updates, to its employees during Year 2019.

For Period 2020

As at 31 August 2020, the Target had 67 employees. During Period 2020, the Target's total amount of employee benefit expenses amounted to approximately RMB21,680,000. The remuneration packages for the employees of the Target, which comprised salaries, allowances and discretionary bonuses, were in line with the market level of remuneration in the industry. The Target also offered training programs, including training on updates of accounting standards and training on market updates, to its employees during Period 2020.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the illustrative unaudited pro forma consolidated statement of financial position of the Enlarged Group upon completion of the Acquisition (the "**Unaudited Pro Forma Financial Information**") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 30 June 2020.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as extracted from the Company's interim report for the six months ended 30 June 2020 and the audited statement of financial position of the Target as at 31 August 2020 as set out in the accountants' report on the Target included in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are factually supportable and directly attributable to the Acquisition as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in compliance with paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group upon completion of the Acquisition or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in published interim report of the Company for the six months ended 30 June 2020 and other financial information included elsewhere in this circular.

	The Group as at 30 June 2020 *(Note 1)* *HK$'000*	The Target as at 31 August 2020 *(Note 2)* *HK$'000*	Pro forma adjustment *(Note 3)* *HK$'000*	Pro forma adjustments *(Note 4)* *HK$'000*	Pro forma adjustment *(Note 5)* *HK$'000*	Unaudited Pro Forma of the Enlarged Group upon the completion of the Acquisition *HK$'000*
NON-CURRENT ASSETS						
Property and equipment	338,764	424				339,188
Investment properties	4,569,419					4,569,419
Intangible assets	10,150					10,150
Goodwill	203,548					203,548
Investments in joint ventures	1,684,066		(1,681,439)			2,627
Investments in an associate	2,110,201					2,110,201
Prepayments, deposits and other assets	11,801,308					11,801,308
Financial assets at fair value through profit or loss	2,946,497					2,946,497
Deferred tax assets	97,458					97,458
Total non-current assets	23,761,411	424	(1,681,439)	—	—	22,080,396
CURRENT ASSETS						
Properties under development	1,920,373	5,110,350		2,162,579		9,193,302
Completed properties held for sale	4,792,732					4,792,732
Trade and other receivables	652,127	245,223				897,350
Prepayments, deposits and other assets	1,759,103	19,300				1,778,403
Prepaid income tax	206,836	5,732				212,568
Financial assets at fair value through profit or loss	795,442					795,442
Restricted cash	1,106,584					1,106,584
Term deposits with initial terms of over three months	1,360,339			(1,037,799)		322,540
Cash and cash equivalents	158,406	44,382				202,788
	12,751,942	5,424,987	—	1,124,780	—	19,301,709
Assets of a disposal group classified as held for sale	2,770,882					2,770,882
Total current assets	15,522,824	5,424,987	—	1,124,780	—	22,072,591

	The Group as at 30 June 2020 *(Note 1)* *HK$'000*	The Target as at 31 August 2020 *(Note 2)* *HK$'000*	Pro forma adjustment *(Note 3)* *HK$'000*	Pro forma adjustments *(Note 4)* *HK$'000*	Pro forma adjustment *(Note 5)* *HK$'000*	Unaudited Pro Forma of the Enlarged Group upon the completion of the Acquisition *HK$'000*
CURRENT LIABILITIES						
Contract liabilities	2,983,162	43,229				3,026,391
Trade and other payables	5,351,627	956,246			2,690	6,310,563
Interest-bearing bank and other borrowings	4,005,301	174,659				4,179,960
Amounts due to the ultimate holding company	344,288					344,288
Current income tax payables	2,189,956					2,189,956
Derivative financial instruments	30,962					30,962
Total current liabilities	14,905,296	1,174,134	—	—	2,690	16,082,120
NET CURRENT ASSETS	617,528	4,250,853	—	1,124,780	(2,690)	5,990,471
TOTAL ASSETS LESS CURRENT LIABILITIES	24,378,939	4,251,277	(1,681,439)	1,124,780	(2,690)	28,070,867
NON-CURRENT LIABILITIES						
Other payables	24,290					24,290
Interest-bearing bank and other borrowings	15,263,158	3,219,701				18,482,859
Deferred tax liabilities	1,497,615			827,618		2,325,233
Total non-current liabilities	16,785,063	3,219,701	—	827,618	—	20,832,382
Net assets	7,593,876	1,031,576	(1,681,439)	297,162	(2,690)	7,238,485

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group:

1. Amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group set out in the Company's interim report for the six months ended 30 June 2020.

2. The adjustment represents assets and liabilities of the Target for consolidation into the Group's unaudited condensed statement of financial position as if the Acquisition had been completed on 30 June 2020. The balances are extracted from the audited statement of financial position of the Target as at 31 August 2020 as set out in the accountants' report on the historical financial information of the Target in Appendix II to this circular, and after the conversion of RMB to HK$ using the prevailing exchange rate of RMB1=HK$1.12969 as at 31 August 2020.

3. The adjustment represents the derecognition of the carrying amount of 51% equity interest of the Target recorded as investments in joint ventures as at 30 June 2020 as if the Acquisition had been completed on 30 June 2020.

4. The Acquisition is considered as a business combination and is accounted for using the acquisition method in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 3 (Revised) "Business Combinations" as the directors of the Company believe that the Target acquired constitutes a business in accordance with HKFRS 3.

   Upon completion of the Acquisition, the Group would hold 100% of the Target's equity interest and obtain control over the Target. Accordingly, the Target would become a subsidiary of the Company.

   For the purpose of preparing the Unaudited Pro Forma Financial Information, the directors of the Company had assumed that with the exception of the properties under development (details set out below), the pro forma fair value of the identifiable assets and liabilities of the Target are the same as their respective carrying amounts as at 31 August 2020.

The Group has applied the acquisition method in accordance with HKFRS 3 to account for the Acquisition as if the Acquisition had been completed on 30 June 2020 and the calculation of a pro forma gain on bargain purchase is as follows:

	HK$'000
Carrying amount of 51% equity interest of the Target recorded as investments in joint ventures as at 30 June 2020	1,681,439
Remeasurement loss on the 51% equity interest of the Target upon derecognition	(474,505)
Estimated fair value of the pre-existing 51% equity interest of the Target upon derecognition	1,206,934
Consideration for the Acquisition	1,037,799
Total consideration	2,244,733
Less: Net assets of the Target as at 31 August 2020	1,031,576
Pro forma fair value adjustment in relation to properties under development *(Note i)*	2,162,579
Deferred tax liabilities *(Note ii)*	(827,618)
Fair value of identifiable net assets of the Target	2,366,537
Gain on bargain purchase	(121,804)

Note i: The pro forma fair value of properties under development is based on the valuation of the Guangzhou Land as at 31 August 2020 as assessed by an independent qualified valuer.

Note ii: The deferred tax liabilities relating to the pro forma fair value adjustment of properties under development are calculated in accordance with the tax rate under the Law of the PRC on Corporate Income Tax of 25% and on the applicable tax rate for Land Appreciation Tax.

5. The adjustment represents the estimated transaction costs payable by the Company of approximately HK$2,690,000, including the accountancy, legal, valuation and other professional services rendered in relation to the Acquisition. These expenses are charged to profit or loss directly.

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

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

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

24 December 2020

The Board of Directors
Zhuguang Holdings Group Company Limited
Room 5702-5703, 57/F
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhuguang Holdings Group Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2020 and the related notes set out on pages III-2 to III-5 of the circular dated 24 December 2020 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition (the "**Acquisition**") of 49% of the equity interest of Guangzhou Development Automobile City Co., Ltd. (the "**Target**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page III-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the financial position of the Group as at 30 June 2020 as if the Acquisition had taken place on 30 June 2020. 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 consolidated financial information for the six months ended 30 June 2020, and information about the Target's financial position has been extracted by the Directors from the accountants' report on the Target included in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

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

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

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

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

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

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly 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,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 30 September 2020 of the Guangzhou Land.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2709, 27/F
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

24 December 2020

The Board of Directors
Zhuguang Holdings Group Company Limited
Room 5702-5703, 57/F
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Dear Sirs,

Re: Valuation of a Development erected on a Parcel of Land (called "People's Tannery" (人民制革廠地塊)) located at Huang Pu Da Dao Dong Lu, Tianhe District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC")

In accordance with the instructions from Zhuguang Holdings Group Company Limited (the "**Company**") for us to value the captioned real property interest, details of which are provided in the enclosed valuation certificate, in the PRC, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such real property interest as at 30 September 2020 (referred to as the "**valuation date**").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real property and the limiting conditions.

I. BASIS OF VALUATION

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

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

II. VALUATION METHODOLOGY

The land of the real property is valued by comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of the land of the real property. Adjustments in the prices of the comparable properties are then made to account for the identified differences between such properties and the land of the real property in the relevant factors. In arriving at our opinion of the market value, we have taken into account the development costs relevant to the stage of construction up to the valuation date.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interest on the open market in its existing state without the benefit of any deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the real property interest.

As the real property is held under long-term land use rights, we have assumed that the owner of the real property has free and uninterrupted rights to use, transfer or lease the real property for the whole of the unexpired term of the respective land use rights. In our valuation, we have assumed that the real property can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions of the valuation, if any, have been stated out in the footnotes of the valuation certificate.

IV. TITLESHIP INVESTIGATION

We have been provided with copies of legal documents regarding the real property. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liability attached to the real property.

In the course of our valuation, we have relied upon the legal opinion given by the Company's PRC legal adviser — Kingson Law Firm (廣東君信律師事務所) in relation to the legal title to the real property. All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real property set out in this report.

V. LIMITING CONDITIONS

We have inspected the real property. However, no structural survey has been made and we are therefore unable to report as to whether the real property is free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the real property but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for any real property development. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided and have accepted advice given to us by the Company on such matters as planning approvals, statutory notices, easements, tenure, occupation, development scheme, construction costs, site and floor areas and in the identification of the real property. We have had no reason to doubt the truth and accuracy of the information provided by the Company. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

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

Since the real property is located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the real property depending upon the assumptions made. While we have exercised our professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of "material valuation uncertainty". Consequently, less certainty — and a higher degree of caution — should be attached to our valuation than would normally be the case.

For the avoidance of doubt, the material valuation uncertainty clause does not mean that the valuation cannot be relied upon. Rather, it is used in order to be clear and transparent that — in the current extraordinary circumstances — less certainty can be attached to the valuation than would otherwise be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommended that the valuation of the real property should be under frequent review.

VI. OPINION OF VALUE

Our opinion of the market value of the real property is set out in the attached valuation certificate.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interest, we have complied with the requirements contained in the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

Site inspection of the real property was conducted in October 2020 by Mr. Daniel Tang (MRICS). Portion of the real property was under construction and the remaining portion was vacant land going to be developed.

Unless otherwise stated, all monetary amounts herein are denominated in the currency of Renminbi (referred to as "**RMB**").

We enclose herewith our valuation certificate.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Ms. Yuki Chan	**Mr. Jeff W.P. Liu**
Registered Professional Surveyor (G.P.),	*MRICS, MHKIS*
FRICS, MHKIS, AAPI	*Assistant Director*
Director	

Note: Ms. Yuki Chan is a Chartered Surveyor who has more than 10 years of valuation experience in different locations such as Hong Kong, the PRC, Macau, Singapore, Vietnam, Philippines and the Asia Pacific region.

Mr. Jeff Liu is a Chartered Surveyor who has more than 23 years of real property valuation experience in Hong Kong and extensive valuation experience in other locations including the PRC, Macau, and the Asia Pacific region.

VALUATION CERTIFICATE

Real property interest held for development in the PRC

Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 September 2020
A development erected on a parcel of land (called "People's Tannery" (人民制革廠地塊)) (Land Lot Nos. AT 101816, AT 101821, AT 101822) located at Huang Pu Da Dao Dong Lu, Tianhe District, Guangzhou City, Guangdong Province, the PRC	The real property comprises a parcel of land with a site area of approximately 63,637.7 square metres and certain construction-in-progress being erected on portion of the land. According to the information provided, the total accountable gross floor area of the proposed development on the real property is approximately 360,655 square metres while the total planned gross floor area for sale will be approximately 352,158 square metres (excluding basement car park) upon completion. Detailed breakdown of the planned gross floor area for sale is as follows: Usage — Gross Floor Area for Sale *(square metres)* Apartment — 180,171.20 Office — 140,541.00 Retail — 31,446.00 **Total: — 352,158.20** As advised by the Company, the estimated cost to completion of the whole development as at the valuation date is approximately RMB3,470,000,000. The whole development is scheduled to be completed in May 2025. The land use rights of the real property are held under a Real Estate Title Certificate for terms of 40 years expiring on 20 February 2058 for commercial, tourism, and entertainment uses; 50 years expiring on 20 February 2068 for composite or other uses.	As per our on-site inspection, portion of the real property is under construction and the remaining portion of the real property is vacant.	RMB6,400,000,000 (Renminbi Six Thousand and Four Hundred Million Only) (see notes (vii), (x) and (xii))

Notes:

(i) According to a State-owned Construction Land Use Rights Grant Contract (440106-2018-000002)("**Land Grant Contract**") entered into between the Guangzhou Land Resources and Planning Commission (廣州市國土資源及規劃委員會) and Guangzhou Development Automobile City Co., Ltd.(廣州發展汽車城有限公司) ("**GZ Automobile City**") dated 21 February 2018, the land use rights of the land parcel with a site area of approximately 63,637 square metres were contracted to be granted to GZ Automobile City for other commercial service, wholesale retail, accommodation and catering, together with commerce and finance uses for terms of 40 years for commercial, tourism, and entertainment uses; 50 years for composite or other uses commencing from 21 February 2018, at a consideration of RMB3,038,762,902. The accountable gross floor area of the development is approximately 360,655 square metres. The construction of the development should be completed before 21 February 2022.

(ii) According to a Real Estate Title Certificate, known as Yue (2019) Guangzhou Shi Bu Dong Chan Quan No. 00800004, issued by the Guangzhou Land Resources and Planning Commission (廣州市國土資源及規劃委員會) dated 22 March 2019, the land use rights of the real property with a site area of approximately 63,637.693 square metres have been granted to GZ Automobile City for retail and commercial/wholesale market/catering/hostel/commerce and finance/other commercial service uses for terms of 40 years expiring on 20 February 2058 for commercial, tourism and entertainment uses; 50 years expiring on 20 February 2068 for composite and other uses.

(iii) According to a Construction Land Use Approval (Sui Gui Hua Zi Yuan Jian Yong Zi (2019) No. 4) issued by the Guangzhou Land Resources and Planning Commission (廣州市國土資源及規劃委員會) dated 30 January 2019, the land use of the real property with a site area of approximately 63,637 square metres has been approved.

(iv) According to twelve Construction Works Planning Permits (Sui Guo Tu Gui Hua Jian Zheng (2018) No. 2998, Sui Gui Hua Zi Yuan Jian Zheng (2019) Nos. 305, 306, 1347, 1430, 1589, 4570 Hao, Sui Gui Hua Zi Yuan Jian Zheng (2020) Nos. 288, 802, 890, 891 and 892 Hao) issued by the Guangzhou City Planning and Natural Resources Bureau (廣州市規劃和自然資源局) or the Guangzhou Land Resources and Planning Commission (廣州市國土資源及規劃委員會) dated between 30 July 2018 and 11 March 2020, the construction works with a total above-ground and underground gross floor area of approximately 379,946 square metres and 142,721 square metres respectively, were compiled with the planning requirements.

(v) According to twelve Construction Works Commencement Permits (Nos. 440106201903130101, 440106201903130201, 440106201912130201, 440106201912310101, 440106201912310201, 440106201912310301, 440106201912310401, 440106202003160301, 440106202003160401, 440106202003160501, 440106202003160601 and 440106202003240101) issued by the Guangzhou City Tianhe District Housing and Construction Waters Affairs Bureau (廣州市天河區住房和建設水務局) or the Guangzhou City Tianhe District Housing Construction and Landscape Bureau (廣州市天河區住房建設和園林局) dated between 13 March 2019 and 24 March 2020, the construction works with a total gross floor area of approximately 522,667 square metres were permitted for commencement of construction.

(vi) According to two Commodity House Pre-sale Permission Certificates (Sui Fang Yu (Wang) Zi Di 20200565 and 20200566 Hao), permission for pre-sale of real property with a total gross floor area of approximately 32,158.15 square metres has been given.

(vii) As advised by the Company, the construction costs and other associated costs incurred up to the valuation date is approximately RMB232,000,000.

(viii) The capital value of the whole development, as if completed according to the development proposals as described above as at the valuation date, would be approximately RMB15,000,000,000.

(ix) As advised by the Company, apartment units with a total gross floor area of approximately 15,922 square metres were contracted to be sold at a total consideration of approximately RMB605,000,000.

(x) As advised by the Company, GZ Automobile City will complete the procedure for settling the land premium of the underground space upon completion. According to the Company's estimation, the land premium of the underground space may be in the range of approximately RMB325,500,000, which is subject to the calculation of the relevant government authority and the final area of the underground space. As the area of the underground space of the development has not been fixed and the relevant land premium is not confirmed yet, hence, such land premium has not been settled. Therefore, in the course of our valuation, we have not taken into account of the value of the underground space and the deduction of any land premium of the underground space.

(xi) We have been provided with a legal opinion regarding the real property interest issued by the Company's PRC legal adviser which are summarised as below:

1. GZ Automobile City has undertaken the procedures for registration of the real estate title rights in accordance with the laws, and legally and effectively obtained the land use rights of the subject land and the ownership of the subject property. GZ Automobile City is the sole owner of the subject land and the sole owner of the subject property, and has the right to transfer, lease and mortgage the subject property, and these rights are protected by the PRC laws.

2. The real property is not subject to seizure.

3. There are 328 units of the real property subject to a mortgage in favour of Ping An Bank Company Limited Guangzhou Branch, which are also subject to a second mortgage in favour of China Minsheng Trust Company Limited. Subsequently, there are 78 units of the real property subject to a mortgage in favour of Ping An Bank Company Limited Guangzhou Branch, which are also subject to a second mortgage in favour of China Minsheng Trust Company Limited.

   According to the Measures on the Administration of Mortgage of Urban Real Estate of the Property Law, the mortgagor is subject to the consent of the mortgagee in order to transfer the mortgaged property, and the income from the sale of the mortgaged property needs to be used to repay debts in advance or be deposited.

4. According to the Land Grant Contract, GZ Automobile City does not need to apply procedures for the land premium of the underground space until the clarification of its planning scheme. Therefore, GZ Automobile City does not make any payment regarding the land premium of the underground space, which does not violate the provisions of the Land Grant Contract, not affect the relevant licenses that the target property has obtained, such as Real Estate Title Certificate, Construction Land Use Approval, Construction Works Planning Permit, and Construction Works Commencement Permits, and does not affect the rights and interests of GZ Automobile City for the target property (except for the underground space).

5. GZ Automobile City has obtained Construction Works Commencement Permits and can legally carry out construction in accordance with the contents of the permits.

6. GZ Automobile City has obtained Commodity House Pre-sale Permission Certificates and can legally presell the units in accordance with the contents of the certificates.

(xii) In our valuation, we have assumed that all necessary licence, approvals and consents for the building construction have been obtained from the relevant government authorities and the real property interests can be freely disposed of and transferred to third parties on the open market without payment of any premium or onerous monies to the relevant government authorities.

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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules ("**Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares

Name of Director/ chief executive of the Company	Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company *(Note 2)*
Chu Hing Tsung (alias Zhu Qing Yi)	Interest of a controlled corporation *(Note 1)*	4,825,791,289	67.08%
Liao Tengjia	Interest of a controlled corporation *(Note 1)*	4,825,791,289	67.08%
Huang Jiajue	Beneficial owner	13,330,000	0.19%

Notes:

1. 4,825,791,289 Shares were held by Rong De, which was owned as to 34.06% by Mr. Chu Hing Tsung and as to 36.00% by Mr. Liao Tengjia. Mr. Chu Hing Tsung and Mr. Liao Tengjia were deemed to be interested in the Shares held by Rong De under the SFO. To the best knowledge of the Directors, out of the aforesaid 4,825,791,289 Shares, 425,000,000 Shares and 3,361,112,000 Shares have been pledged by Rong De to CCB International Securities Limited（建銀國際證券有限公司）(“**CCBIS**”) and The Bank of New York Mellon, Hong Kong Branch (“**BNY HK**”) respectively. Mr. Liao Tengjia is a director of Rong De.

2. The total number of the issued Shares as at the Latest Practicable Date (i.e. 7,194,417,247 Shares) had been used for the calculation of the approximate percentage shareholders in the Company.

Interest in the shares of the Company’s associated corporations

Name of Director/ chief executive of the Company	Name of associated corporation	Nature of interest	Total number of ordinary shares	Approximate percentage of interest
Chu Hing Tsung (alias Zhu Qing Yi)	Rong De	Beneficial owner	68,120	34.06%
Chu Muk Chi (alias Zhu La Yi)	Rong De	Beneficial owner	59,888	29.94%
Liao Tengjia	Rong De	Beneficial owner	71,992	36.00%
Huang Jiajue	Silver Grant	Beneficial owner	5,690,000	0.25%

(b) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interest and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) which were required, pursuant to the Code, to be notified to the Company and the Stock Exchange.

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

(a) As at the Latest Practicable Date, so far as it was known to the Directors or the chief executive of the Company, the following persons, other than a Director or the chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO or was recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests of a substantial Shareholder

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company *(Note 9)*	Number of underlying Shares	Approximate percentage of total issued share capital of the Company *(Note 9)*
Rong De *(Note 1)*	Beneficial owner	4,825,791,289 (L)	67.08%	—	—

Interests of a other persons

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company *(Note 9)*	Number of underlying Shares	Approximate percentage of total issued share capital of the Company *(Note 9)*
CCBIS *(Note 1)*	Security interest	425,000,000 (L)	5.91%	—	—
Central Huijin Investment Limited ("**Central Huijin**") *(Note 2 and 3)*	Interest of controlled corporations	—	—	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	—	—
Agricultural Bank of China Limited ("**ABCL**") *(Note 2)*	Interest of controlled corporations	—	—	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%	—	—

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company *(Note 9)*	Number of underlying Shares	Approximate percentage of total issued share capital of the Company *(Note 9)*
Ministry of Finance of the People's Republic of China ("**MOF**") *(Note 2)*	Interest of controlled corporations	—	—	50,718,355 (L)	0.70%
	Security interest	3,361,112,000 (L)	46.72%		
China Construction Bank Corporation ("**CCB**") *(Note 3)*	Interest of controlled corporations	—	—	19,608,938 (L)	0.27%
	Security interest	3,361,112,000 (L)	46.72%	—	—
The Bank of New York Mellon Corporation ("**BNY**") *(Note 4)*	Interest of a controlled corporation	3,361,788,000 (L)	46.73%	—	—
China Orient Asset Management Co., Ltd. ("**COAM**") *(Note 5)*	Interest of controlled corporations	3,361,112,000 (L)	46.72%	144,909,586 (S)	2.01%
Cheung Fong Wing *(Note 6)*	Interest of a controlled corporation	418,500,000 (L)	5.82%	1,449,095 (L)	0.02%
	Security interest	3,361,112,000 (L)	46.72%	—	—
Quan Xing Holdings Limited ("**Quan Xing**") *(Note 6)*	Beneficial owner	418,500,000 (L)	5.82%	1,449,095 (L)	0.02%
	Security interest	3,361,112,000 (L)	46.72%	—	—

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of total issued share capital of the Company *(Note 9)*	Number of underlying Shares	Approximate percentage of total issued share capital of the Company *(Note 9)*
中國華融資產管理股份有限公司 (“**CHAMCL**”) *(Notes 7)*	Interest of controlled corporations	220,216,000 (L)	3.06%		
	Security interest	1,586,000,000 (L)	22.04%		
China Cinda Asset Management Co., Ltd. (“**CCAM**”) *(Note 8)*	Interest of controlled corporations	3,361,112,000 (L)	46.72%	86,221,203 (L)	1.20%

(L) Long position

(S) Short position

Notes

1. The Shares comprised the 4,825,791,289 Shares beneficially owned by Rong De as stated under “2. Directors’ and chief executive’s interests and short positions in Shares, underlying Shares and debentures — Long position in the Shares” above. To the best knowledge of the Directors, out of the aforesaid 4,825,791,289 Shares, 425,000,000 Shares and 3,361,112,000 Shares have been pledged by Rong De to CCBIS and BNY HK respectively.

2. According to the disclosure of interest notices filed by ABCL and Heroic Day Limited (“**Heroic Day**”) on 15 October 2019, Heroic Day held direct interest in 3,361,112,000 Shares and 50,718,355 underlying Shares. Heroic Day is a wholly-owned subsidiary of ABCI Investment Management Limited (“**ABCIIM**”). ABCIIM is a wholly-owned subsidiary of ABC International Holdings Limited (“**ABCIH**”). ABCIH is a wholly-owned subsidiary of ABCL. According to the disclosure of interest notices filed by Central Huijin on 16 October 2019 and MOF on 15 October 2019, ABCL is in turn owned as to 40.03% by Central Huijin and as to 35.29% by MOF. Accordingly, ABCIIM, ABCIH, ABCL, Central Huijin and MOF are deemed to be interested in the Shares and the underlying Shares held by Heroic Day by virtue of the provisions of the SFO.

3. According to the disclosure of interest notice filed by CCB on 27 September 2019, CCB International Overseas Limited (“**CCBIO**”) held direct interest in 3,361,112,000 Shares and 19,608,938 underlying Shares, and is a wholly-owned subsidiary of CCB International (Holdings) Limited (“**CCBIH**”). CCBIH is a wholly-owned subsidiary of CCB Financial Holdings Limited (“**CCBFH**”). CCBFH is a wholly-owned subsidiary of CCB International Group Holdings Limited (“**CCBIG**”). CCBIG is a wholly-owned subsidiary of CCB. According to the disclosure of interest notice filed by Central Huijin on 16 October 2019, CCB is owned as to 57.11% by Central Huijin. Accordingly, CCBIH, CCBFH, CCBIG, CCB and Central Huijin are deemed to be interested in the Shares and the underlying Shares held by CCBIO by virtue of the provisions of the SFO.

4. According to the disclosure of interest notice filed by BNY on 24 September 2019, The Bank of New York Mellon held direct interest in 3,361,788,000 Shares and a lending pool consisting of 588,000 Shares, and is wholly-owned by BNY. Accordingly, BNY is deemed to be interested in the Shares held by The Bank of New York Mellon by virtue of the provisions of the SFO.

5. According to the disclosure of interest notice filed by COAM on 28 November 2019, Blooming Rose Enterprises Corp. ("**Blooming Rose**") held direct interest in 3,361,112,000 Shares and short positions in 144,909,586 underlying Shares, and is a wholly-owned subsidiary of China Orient Asset Management (International) Holding Limited ("**COAM International**"). COAM International is held as to 50% by Wise Leader Assets Ltd ("**Wise Leader**") and as to 50% by Dong Yin Development (Holdings) Limited ("**Dong Yin**"). Wise Leader is held as to 100% by Dong Yin and Dong Yin is a wholly-owned subsidiary of COAM. Accordingly, COAM International, Wise Leader, Dong Yin and COAM are deemed to be interested in the Shares and the underlying Shares held by Blooming Rose by virtue of the provisions of the SFO.

6. According to the disclosure of interest notice filed by Quan Xing on 6 July 2020, Quan Xing, which is wholly-owned by Mr. Cheung Fong Wing, held direct interest in 3,779,612,000 Shares and 1,449,095 underlying Shares. Accordingly, Mr. Cheung Fong Wing is deemed to be interested in the Shares and underlying Shares held by Quan Xing by virtue of the provisions of the SFO.

7. According to the disclosure of interest notice filed by CHAMCL on 13 May 2020 ("**CHAMCL Notice**"), Beyond Steady Limited ("**Beyond Steady**"), a wholly-owned subsidiary of Linewear Assets Limited ("**Linewear**"), held direct interest in 220,216,000 Shares. Linewear is a wholly-owned subsidiary of Huarong International Financial Holdings Limited ("**Huarong International**"). Huarong International is held as to 51% by Camellia Pacific Investment Holding Limited ("**Camellia Pacific**"), which in turn is a wholly-owned subsidiary of China Huarong International Holdings Limited ("**CHIH**"). CHIH is held as to 1.8% by Huarong Zhiyuan Investment & Management Co., Ltd. ("**HZY**"), 13.36% by Huarong Real Estate Co., Ltd. ("**HRE**") and 84.84% by CHAMCL. Each of HZY and HRE is a wholly-owned subsidiary of CHAMCL. Accordingly, Linewear, Huarong International, Camellia Pacific, CHIH, HZY, HRE and CHAMCL are deemed to be interested in the Shares held by Beyond Steady by virtue of the provisions of the SFO. According to the CHAMCL Notice, China Huarong Asset Management Company Limited, Guangdong Branch ("**CHAMCLGDBR**") held direct interest in 1,586,000,000 Shares and is a wholly-owned subsidiary of CHAMCL. Accordingly, CHAMCL is deemed to be interested in the Shares held by CHAMCLGDBR by virtue of the provisions of the SFO.

8. According to the disclosure of interest notice filed by CCAM on 29 November 2019, China Cinda (HK) Asset Management Co., Limited ("**Cinda**") held direct interest in 3,361,112,000 Shares and 86,221,203 underlying Shares, and is a wholly-owned subsidiary of China Cinda (HK) Holdings Company Limited ("**CCHK**"), which is in turn wholly-owned by CCAM. Accordingly, CCHK and CCAM are deemed to be interested in the Shares and the underlying Shares held by Cinda by virtue of the provisions of the SFO.

9. The total number of issued Shares as at the Latest Practicable Date (i.e. 7,194,417,247 Shares) had been used for the calculation of the approximate percentage shareholdings in the Company.

(b) Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive officer of the Company were not aware of any other persons (other than a Director of the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Part XV of the SFO or was recorded in the register required to be kept by the Company under section 336 of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2019, being the date to which the latest published audited consolidated accounts of the Group were made up.

(a) Purchase of properties in Guangzhou

On 17 December 2014, 廣州愉捷貿易有限公司 (Guangzhou Yujie Trading Company Limited*), a wholly-owned subsidiary of the Company as purchaser, conditionally entered into 50 preliminary sale and purchase agreements ("**Huangsha SP Agreements**") with 廣州黃沙鐵路房地產開發有限公司 (Guangzhou Huangsha Railway Real Property Development Company Limited*), an independent third party, as vendor ("**Guangzhou Huangsha**"), in relation to the acquisition of 50 properties ("**Acquired Properties**") in Guangzhou, the PRC, jointly developed by 廣州珠光投資有限公司 (Guangzhou Zhuguang Investment Company Limited*) ("**GZ Investment**"), a related party of the Group and an Independent Third Party, at the consideration of RMB1,106,820,000 (equivalent to approximately HK$1,403,881,000) which shall be settled by cash ("**Huangsha Project**"). GZ Investment is entitled to 75% of the distributable interests ("**Right**") under the Huangsha Project and the income derived therefrom. In November 2014, Mr. Chu Hing Tsung, the chairman of the Board and an executive Director, has acquired from GZ Investment, at the consideration of RMB760,000,000 (equivalent to approximately HK$963,978,000), part of the Right ("**Acquired Right**"), pursuant to which he is entitled to request Guangzhou Huangsha to transfer three of the buildings ("**Phase I Buildings**") in relation to phase I of the Huangsha Project to him, or alternatively he is entitled to the sale proceeds of the Phase I Buildings if he requests Guangzhou Huangsha to sell the Phase I Buildings for him. The Acquired Properties are part of the underlying interest in the Acquired Right. The Huangsha SP Agreements subsisted as at the Latest Practicable Date. For details of the Huangsha SP Agreements, please refer to the circular of the Company dated 5 March 2015.

* *For identification purpose only*

(b) 2019 Senior Notes

Pursuant to (i) the conditional note purchase agreement ("**2019 Note Purchase Agreement**") dated 22 September 2019 (as amended and supplemented by a deed of adherence dated 30 June 2020 executed by Quan Xing) entered into among (a) the Company as the issuer; (b) Rong De as the controlling Shareholder (within the meaning of the Listing Rules); (c) Blooming Rose, Heroic Day, CCBIO and Cinda (collectively as the "**2019 Investors**") as investors; and (d) Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi (collectively as the "**Ultimate Shareholders**") as personal guarantors, in relation to the issue and subscription of senior secured guaranteed notes due 2022 in the aggregate principal amount of US$410 million of the Company ("**2019 Senior Notes**"); and (ii) the terms and conditions of the 2019 Senior Notes (as amended and supplemented by (aa) an amendment deed dated 24 August 2020 and entered into among (1) the Company; (2) the 2019 Investors; (3) Quan Xing; (4) Rong De; (5) the Ultimate Shareholders; and (6) certain subsidiaries of the Company, namely, All Flourish, Ai De, Capital Fame, Cheng Chang, East Orient, Ever Crown, Fresh I nternational, Fully Wise, Pacific Win, Polyhero International, Profaith International, South Trend, Talent Wide, Top Asset, Top Perfect, Vanco Investment, World Sharp and Zhuguang Group; and (bb) a second amendment deed dated 30 October 2020 executed by the Company), the Company shall conditionally, among others, issue the 2019 Senior Notes to the 2019 Investors, further details of which are set out in the announcement of the Company dated 22 September 2019 and the circular of the Company dated 5 November 2019.

Pursuant to the 2019 Note Purchase Agreement (as amended and supplemented from time to time), Rong De was required to create a charge ("**2019 Share Charge**") over 3,361,712,000 ordinary shares that it held in the Company in favour of BNY HK and each of the Ultimate Shareholders have entered into a personal guarantee (collectively, the "**2019 Guarantees**") in favour of BNY HK in relation to the 2019 Senior Notes. The 2019 Share Charge and the 2019 Guarantees subsisted as at the Latest Practicable Date.

(c) CCBIS Margin Loan

On 25 October 2018, Splendid Reach Limited ("**Splendid**"), a wholly-owned subsidiary of the Company, as borrower, and CCBIS, as lender, entered into a mar gin loan confirmation ("**CCBIS Margin Loan Confirmation**"), under which CCBIS agreed to make available to Splendid a margin loan over the term ("**Term**") of not more than 12 months, in the principal amount of up to HK$750,000,000 (for the first five business days of the Term) and HK$550,000,000 (from and including the sixth business day of the Term and thereafter), at the interest rate of 7.75% per annum ("**CCBIS Margin Loan**"), with interest payable quarterly, further details of which are set out in the announcement of the Company dated 25 October 2018. On 1 November 2019, Splen did and CCBIS entered into a deed ("**2019 Amendment Deed**") to amend and supplement certain terms, including the term, the principal amount and the interest rate of the CCBIS Margin Loan, under the CCBIS Mar gin Loan Confirmation (as amended and supplemented from time to time) with effect from 30 October 2019. Pursuant to the 2019 Amendment Deed, among others, the Term has been amended to the effect that the CCBIS Margin Loan shall mature on 30 October 2020. On 30 October 2020, Splen did and CCBIS entered into a deed ("**2020 Amendment Deed**") to amend and supplement certain terms, including the term, the principal amount and the interest rate of the CCBIS Margin Loan, under the CCBIS Margin Loan Confirmation (as amended and supplemented from time to time) with effect from 30 October 2020. Pursuant to the 2020 Amendment Deed, among others, the Term has been amended to the effect that the CCBIS Margin Loan shall mature on 30 October 2021. Further details of the 2019 Amendment Deed and the 2020 Amendment Deed are set out in the Company's announcements dated 1 November 2019 and 30 October 2020, respectively.

Pursuant to the CCBIS Margin Loan Confirmation, (a) Rong De (the controlling Shareholder (within the meaning of the Listing Rules) was required to enter into a charge dated 25 October 2018 ("**SL Rong De Charge**"), in favour of CCBIS, over a margin securities trading account opened by Rong De with CCBIS ("**SL Rong De Account**"), into which Rong De shall deposit, among other assets, no less than 100,000,000 Shares held by Rong De before the first drawdown date and no less than 150,000,000 Shares held by Rong De on or before the 60th day of the Term; and (b) the Company and the Ultimate Shareholders were required to enter into a continuing guarantee dated 25 October 2018 ("**CCBIS Continuing Guarantee**"), in favour of CCBIS, to guarantee the settlement of all liabilities and obligations of Splendid under the CCBIS Margin Loan. The SL Rong De Charge and the CCBIS Continuing Guarantee subsisted as at the Latest Practicable Date.

(d) Issue of perpetual capital securities

On 29 October 2018, the Company issued perpetual capital securities ("**Perpetual Securities**") in the aggregate principal of HK$800,000,000 at a distribution rate of 6% per annum to Rong De (the controlling shareholder of the Company). The Perpetual Securities have no fixed redemption date and are redeemable at the option of the Company at any time and from time to time, whether in whole or in part, at any time after its issue. While distribution is payable by the Company every six months, the Company may, at its sole discretion, elect to defer, in whole or in part, any distribution (including any arrears of distribution) to the next distribution payment date. The proceeds from the issue of the Perpetual Securities were used for financing the corporate funding requirement of the Group. The Perpetual Securities subsisted as at the Latest Practicable Date.

(e) Property management contracts

On 23 January 2020, the Group has entered into a number of pre-delivery management agreements and post-delivery management agreements (collectively, the "**Management Agreements**") with 廣州珠光物業管理有限公司 (Guangzhou Zhuguang Property Management Company Limited*) ("**Management Company**"), pursuant to which the Management Company agreed to provide various property management services in respect of certain property projects to the Group.

The Management Company is owned as to 90% by Ms. Zhu Ziyu* (朱梓瑜), who is (i) a daughter of Mr. Chu Hing Tsung, an executive Director, the chairman of the Board and a 34.06% shareholder of Rong De (the controlling Shareholder (within the meaning of the Listing Rules)); and (ii) a niece of Mr. Chu Muk Chi, an executive Director and a 29.94% shareholder of Rong De (the controlling Shareholder (within the meaning of the Listing Rules)).

Further details of the Management Agreements are set out in the announcement of the Company dated 23 January 2020.

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

* *For identification purpose only*

5. LITIGATION

As at the Latest Practicable Date, there were no litigations or claims of material importance pending or threatened against any member of the Enlarged Group which was known to the Directors.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with any member of the Enlarged Group which is not determinable by the employer without payment of compensation other than statutory compensation.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) have been entered into by members of the Enlarged Group within two years immediately preceding the issue of this circular which are or may be material:

(a) the sale and purchase agreement dated 25 December 2018 entered into between Guangzhou Zhuguang Property (a wholly-owned subsidiary of the Company) as purchaser, and 廣州秀苑房地產有限公司 (Guangzhou Xiu Yuan Property Company Limited*) as vendor ("**Xiu Yuan**"), in relation to the acquisition of the registered capital of RMB48 million of 廣州御盈房地產有限公司 (Guangzhou Yu Ying Property Company Limited*) ("**Yu Ying**"), representing 30% of the equity interest of Yu Ying, at the consideration of RMB240 million (equivalent to approximately HK$270 million), further details of which are set out in the announcement of the Company dated 27 December 2018;

(b) the third supplemental agreement to the sale and purchase agreement dated 28 December 2018 entered into between South Trend (a wholly-owned subsidiary of the Company) as purchaser, Quan Xing as vendor and Cheung Fong Wing as guarantor, upon which the parties agreed to further extend the long stop date of the sale and purchase agreement dated 23 June 2017, further details of which are set out in the announcement of the Company dated 23 June 2017, 27 October 2017, 14 February 2018, 28 March 2018, 29 June 2018, 2 August 2018, 31 October 2018, 28 December 2018 and 1 July 2019;

(c) the sale and purchase agreement dated 24 January 2019 entered into between United Talent (a wholly-owned subsidiary of the Company) as vendor, and Guangzhou Rongcheng as purchaser, pursuant to which United Talent agreed to sell and Guangzhou Rongcheng agreed to acquire 10% of the equity interest in Guangzhou Yuhong at nil consideration, further details of which are set out in the Company's announcement dated 22 April 2020 and the Company's circular dated 24 June 2020;

** For identification purpose only*

(d) the sale and purchase agreement dated 18 December 2019 entered into between South Trend (a wholly-owned subsidiary of the Company) as purchaser, Quan Xing as vendor and Cheung Fong Wing as guarantor, pursuant to which South Trend agreed to acquire and Quan Xing agreed to sell 100% of the issued share capital of All Flourish at the consideration of RMB1,050 million (equivalent to approximately HK$1,165.7 million), further details of which are set out in the Company's announcement dated 18 December 2019;

(e) the co-development agreement dated 22 April 2020 entered into between United Talent, the Company, Skyleap Investments Limited (a wholly-owned subsidiary of the Company), Guangzhou Yuhong and Guangzhou Bohao Corporate Management Partnership (Limited Liability Partnership)* (廣州博浩企業管理合伙企業(有限合伙)) in relation to the disposal of (i) 100% equity interest in Guangzhou Yuhong at the consideration of RMB1,500 million (equivalent to approximately HK$1,665 million); and (ii) the net amount advanced by way of loan by United Talent and/or the subsidiaries of the Company to, among others, Guangzhou Yuhong at completion of the disposal at the consideration equal to the face value of such loan, further details of which are set out in the Company's announcement dated 22 April 2020 and the Company's circular dated 24 June 2020;

(f) the sale and purchase agreement dated 19 June 2020 entered into between Guangzhou Rongcheng as vendor, and United Talent as purchaser, pursuant to which Guangzhou Rongcheng agreed to sell and United Talent agreed to acquire 10% of the equity interest in Guangzhou Yuhong at nil consideration, further details of which are set out in the Company's announcements dated 22 April 2020 and 19 June 2020 and the Company's circular dated 24 June 2020;

(g) the transfer agreement dated 12 November 2020 entered into between World Charter Investments Limited ("**World Charter**") (a wholly-owned subsidiary of the Company) as the first vendor, Guangzhou Shunji Industry Company Limited* (廣州舜吉實業有限公司) ("**Shunji**") (a wholly-owned subsidiary of the Company) as the second vendor, Guangzhou City Cheng Xing Trading Company Limited* (廣州市城興貿易有限公司) ("**Cheng Xing**") as purchaser and Guangzhou Yujia Investments Company Limited* (廣州御嘉投資有限公司) ("**Yujia**") as the target, pursuant to which World Charter and Shunji agreed to sell and Cheng Xing agreed to acquire (i) 100% of the equity interest in Yujia; and (ii) the loan owed by Yujia to Shunji, at the aggregate consideration of RMB2,983 million (equivalent to approximately HK$3,395 million), further details of which are set out in the Company's announcement dated 12 November 2020 and the Company's circular dated 3 December 2020; and

(h) the SP Agreement.

** For identification purpose only*

8. COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, Mr. Liao Tengjia and Mr. Huang Jiajue, both being executive Directors, were interested as directors in companies that are engaged in the businesses of property development, investment and property rental in the PRC ("**Competing Businesses**"). As such, they were regarded as being interested in such Competing Businesses, which competed or might compete with the Group. However, as the above Directors cannot control the Board, and a Director who has material interest in a subject matter to be resolved will abstain from voting in the Board meeting concerned, the interests of the above Directors in the Competing Businesses will not prejudice their capacity as Director nor compromise the interests of the Group and the Shareholders.

Other than as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates (as defined in the Listing Rules) were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. EXPERTS AND CONSENT

The following are the qualifications of the experts whose statements have been included in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Greater China	Independent professional valuer

Each of Ernst & Young and Greater China has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or opinions or reports or references to its name in the form and context in which it appear.

As at the Latest Practicable Date, each of Ernst & Young and Greater China did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Ernst & Young and Greater China did not have any direct or indirect interests in any assets which have been, since 31 December 2019 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is at Room 5702-5703, 57th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

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

(d) The company secretary of the Company is Mr. Choi Kwok Keung Sanvic, who is a qualified accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any Business Day at the Company's principal place of business in Hong Kong at Room 5702-5703, 57th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong from the date of this circular up to and including 7 January 2021:

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

(b) the annual reports of the Company for the years ended 31 December 2018 and 2019;

(c) the accountants' report on the Target, the text of which is set out in Appendix II to this circular;

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

(e) the Property Valuation Report as set out in Appendix IV to this circular;

(f) the written consents referred to in the section headed "Experts and Consent" in this appendix;

(g) the material contracts referred to in the section headed "Material Contracts" in this appendix; and

(h) all circulars of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since 31 December 2019 and including this circular.