THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

銀城國際控股有限公司

YINCHENG INTERNATIONAL HOLDING CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1902)

MAJOR TRANSACTIONS

(1) THE ENTERING INTO OF THE FRAMEWORK AGREEMENTS FOR THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND DEBT OF HANGZHOU QINGCHENG

AND

(2) COOPERATION AGREEMENT IN RELATION TO DEVELOPMENT OF THE PROJECT LAND HELD BY WUXI XUELANG

Unless the context otherwise requires, all capitalised terms used in this circular shall have the meanings set out in the section headed ‘‘Definitions’’ of this circular.

A letter from the Board containing details of the Target Company Acquisition and the Transactions are set out on pages 10 to 43 of this circular.

The Target Company Acquisition and the Transactions have been approved by the Written Approval from a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information purpose only.

26 February 2021

CONTENTS

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

"Acquisition Framework Agreement I"	the equity interest transfer framework agreement (股權轉讓框架協議書(一)) dated 15 September 2020 entered into among the Purchaser, Yihe Real Estate, the Target Company, the Guarantors and Hangzhou Hongyuyuan LLP in relation to the acquisition of Target Equity Interest A and Target Debt A
"Acquisition Framework Agreement II"	the equity interest transfer framework agreement (股權轉讓框架協議書(二)) dated 15 September 2020 entered into among the Purchaser, the Huahong Parties and the Target Company in relation to the acquisition of Target Equity Interest B and Target Debt B
"Acquisition Framework Agreements"	Acquisition Framework Agreement I and Acquisition Framework Agreement II
"Adjustments I"	the adjustments of Consideration I as set out in the section headed "Letter from the Board — (1) The Entering into of the Framework Agreements for the Acquisition of the Entire Equity Interest in and Debt of Hangzhou Qingcheng — The Acquisition Framework Agreements — Major Terms of Acquisition Framework Agreement I — Adjustments of Consideration I" of this circular
"Adjustments II"	the adjustments of Consideration II as set out in the section headed "Letter from the Board — (1) The Entering into of the Framework Agreements for the Acquisition of the Entire Equity Interest in and Debt of Hangzhou Qingcheng — The Acquisition Framework Agreements — Major Terms of Acquisition Framework Agreement II — Adjustments of Consideration II" of this circular
"Asset Management Parties"	Zheshang Asset Management, Zheyue Asset Management and Zhejiang Jinyu
"Board"	the board of Directors
"Company"	Yincheng International Holding Co., Ltd. (銀城國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1902)

"Completion Date"	the date on which the registration of Target Equity Interest A and Target Equity Interest B under the name of the Purchaser have been completed (whichever is latter)
"Consideration I"	the consideration of RMB1,090,637,588.09 (comprising (i) Equity Transfer Price A; (ii) the debt of RMB127,173,826.52 of the Target Company owed to Yihe Real Estate; and (iii) the provision of loans of RMB481,494,001.57 and US$50,000,000 to the relevant companies of the Yihe Real Estate Group (with the Target Company as a joint debtor), and subject to Adjustments I) payable by the Purchaser in relation to the acquisition of Target Equity Interest A and Target Debt A
"Consideration II"	the consideration of RMB106,360,903.78 (comprising (i) Equity Transfer Price B; and (ii) the debt of RMB41,360,903.78 of the Target Company owed to the Huahong Parties and their associates, and subject to Adjustments II) payable by the Purchaser in relation to the acquisition of Target Equity Interest B and Target Debt B
"Cooperation Agreement"	the cooperation agreement dated 23 December 2020 entered into among Wuxi Huayu, Wuxi Yinzetao and Wuxi Yinzexuan
"Debt Transfer Price A"	the debt transfer price of RMB127,173,826.52 (subject to Adjustments I) for the acquisition of Target Debt A
"Debt Transfer Price B"	the debt transfer price of RMB41,360,903.78 for the acquisition of Target Debt B
"Deemed Disposal"	the contribution of registered capital in Wuxi Yinzexuan of RMB150,000,000 from Wuxi Huayu, subsequent to the completion of which Wuxi Yinzexuan shall be held as to 50% and 50% by Wuxi Yinzetao and Wuxi Huayu, respectively
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group immediately upon completion of the Target Company Acquisition and the Transactions
"Equity Transaction Agreement"	the equity transaction agreement* (產權交易合同) dated 10 November 2020 entered into between Wuxi Huayu and Wuxi Shanshui in relation to the Project Company Acquisition

"Equity Transfer Price A"	the equity transfer price of RMB131,969,760 (subject to Adjustments I) for the acquisition of Target Equity Interest A
"Equity Transfer Price B"	the equity transfer price of RMB65,000,000 (subject to Adjustments II) for the acquisition of Target Equity Interest B
"Group"	the Company and its subsidiaries
"Guarantors"	Mr. He Jianliang (何建梁先生) and Mr. He Jianxin (何建信先生), the legal representative of the Target Company and Yihe Real Estate, respectively
"Hangzhou Hongyuyuan LLP"	Hangzhou Hongyuyuan Enterprise Management Partnership (Limited Partnership)* (杭州鴻鈺源企業管理合夥企業(有限合夥), a limited partnership established in the PRC with Yinzehong, Zheshang Asset Management, Zheyue Asset Management and Zhejiang Jinyu being the partners whose capital contribution are RMB150,000,000, RMB975,000,000, RMB175,000,000 and RMB10,000, respectively, as at the Latest Practicable Date
"Huahong Parties"	Zhejiang Huahong, Mr. Zhao and Mr. Zhou
"Huahong Project"	phases I, II and III of the Target Project which were under the development of the Huahong Parties as at the date of the Acquisition Framework Agreements
"Independent Third Party(ies)"	a third party(ies) independent of the Company and its connected persons
"Kunlun Debt"	the debt of RMB358,774,862.94 owed by the Target Company to Kunlun Trust as at the date of the Acquisition Framework Agreements
"Kunlun Trust"	Kunlun Trust Co., Ltd. (昆侖信託有限責任公司), a creditor of (i) a related company of Yihe Real Estate; and (ii) the Target Company, and an Independent Third Party
"Latest Practicable Date"	22 February 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mr. Zhao"	Mr. Zhao Chongqing (趙崇清先生), the holder of 8.712% equity interest in the Target Company as at the date of the Acquisition Framework Agreements
"Mr. Zhou"	Mr. Zhou Qingxing (周慶興先生), the holder of 1.98% equity interest in the Target Company as at the date of the Acquisition Framework Agreements
"Party or Parties"	the party or parties to the Cooperation Agreement
"percentage ratio(s)"	has the meaning ascribed to it in the Listing Rules
"PRC"	the People's Republic of China, which for the sole purpose of this circular, shall exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"Project Company" or "Wuxi Xuelang"	Wuxi Xuelang Changguang Real Estate Co., Ltd.* (無錫雪浪長廣置業有限公司), a company established under the laws of the PRC with limited liability
"Project Company Accountants' Report"	the accountants' report issued by Ernst & Young, certified public accountant and the reporting accountants of the Company dated 26 February 2021 in relation to the Project Company, the text of which is set out in Appendix III to this circular
"Project Company Acquisition"	the acquisition by Wuxi Huayu of (i) the entire equity interest in the Project Company from Wuxi Shanshui; and (ii) the debt in the amount of RMB700,000,000 owed by the Project Company to Wuxi Shanshui pursuant to the Equity Transaction Agreement
"Project Company Acquisition Consideration"	the consideration of RMB752,087,000 in relation to the Project Company Acquisition
"Project Company's Reporting Period"	the period from 17 February 2020 (date of establishment of the Project Company) to 31 December 2020
"Project Land"	the land parcel situated at the east to Wuhu Avenue, south to Gaoyuan Road, west to Planning Road and north to Hefeng Road* (東至五湖大道、南至高遠路、西至規劃道路、北至和風路)

"Property Valuation Report I"	the valuation report in relation to the valuation of the Target Land held by Hangzhou Qingcheng as at 31 December 2020 and issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, dated 26 February 2021
"Property Valuation Report II"	the valuation report in relation to the valuation of the Project Land held by Wuxi Xuelang as at 31 December 2020 and issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, dated 26 February 2021
"Prospectus"	the prospectus issued by the Company dated 22 February 2019
"Purchaser"	Hangzhou Zezhou Enterprise Management Co., Ltd.* (杭州澤洲企業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Relevant Shareholders"	Silver Huang Holding Limited, Silver Vally Holding Limited, Silver Xie Holding Limited, Silver Ma Holding Limited, Silver Li Holding Limited, Silver Wang Holding Limited and Silver Shao Holding Limited, each being a company incorporated in the British Virgin Islands with limited liability and a Shareholder
"Reorganisation"	the reorganisation of the Group in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the section headed "History, Reorganisation and Group Structure — Corporate Development — The reorganisation" in the prospectus of the Company dated 22 February 2019
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company
"Shareholder"	holder(s) of Share(s)
"sq. m."	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supplemental Land Fee"	the aggregate amount of supplemental land fee* (補容土地款) and deed tax* (契稅) of RMB89,797,000 payable to the relevant government authority
"Target Company" or "Hangzhou Qingcheng"	Hangzhou Qingcheng Property Development Co., Ltd.* (杭州青城房地產開發有限公司), a company established under the laws of the PRC with limited liability
"Target Company Accountants' Report"	the accountants' report issued by Ernst & Young, certified public accountant and the reporting accountants of the Company dated 26 February 2021 in relation to the Target Company, the text of which is set out in Appendix II to this circular
"Target Company Acquisition"	acquisition of the Target Equity Interest and the Target Debt by the Purchaser from Yihe Real Estate and the Huahong Parties pursuant to the terms and conditions of the Acquisition Framework Agreements
"Target Company Acquisition Consideration"	the aggregate consideration of RMB1,196,998,491.87 comprising Consideration I and Consideration II (subject to Adjustments I and Adjustments II) payable by the Purchaser in relation to the Target Company Acquisition
"Target Company's Reporting Period"	the three years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020
"Target Debt"	Target Debt A and Target Debt B
"Target Debt A"	the debt of the Target Company owed to Yihe Real Estate which was amounted to RMB127,173,826.52 as at the date of the Acquisition Framework Agreements
"Target Debt B"	the debt of the Target Company owed to the Huahong Parties and their associates which was amounted to RMB41,360,903.78 as at the date of the Acquisition Framework Agreements
"Target Equity Interest"	the entire equity interest in the Target Company as at the date of the Acquisition Framework Agreements
"Target Equity Interest A"	67% equity interest in the Target Company which was held by Yihe Real Estate as at the date of the Acquisition Framework Agreements

"Target Equity Interest B"	33% equity interest in the Target Company which was collectively held by Zhejiang Huahong, Mr. Zhao and Mr. Zhou as at the date of the Acquisition Framework Agreements
"Target Land"	the land parcel which is situated at Qingshan Minzhu Village, Lin'an District, Hangzhou City, Zhejiang* (浙江省杭州市臨安區青山民主村) with a total area of approximately 805,871.7 sq. m.
"Target Project"	the property development project which is located on the Target Land
"Tender Subject"	(i) the entire equity interest in the Project Company from Wuxi Shanshui; and (ii) the debt in the amount of RMB700,000,000 owed by the Project Company to Wuxi Shanshui
"Total Commitment"	the amount of RMB616,257,900 to be borne by Wuxi Yinzetao and Wuxi Yinzexuan to Wuxi Huayu and/or the Project Company to facilitate the payment of the remaining of the Project Company Acquisition Consideration and the Supplemental Land Fee
"Transactions"	the transactions contemplated under the Cooperation Agreement including the Deemed Disposal and the Transfer
"Transaction Service Fee"	the transaction service fee of RMB4,708,600 paid by Wuxi Huayu to Wuxi Shanshui in relation to the Project Company Acquisition
"Transfer"	the transfer of the entire equity interest in the Project Company from Wuxi Huayu to Wuxi Yinzexuan
"Trustee"	the trustee of a trust over the rights and benefits attached to the loan provided by Hangzhou Hongyuyuan LLP to the Purchaser
"US$"	United States dollars, the lawful currency of the United States of America
"Written Approval"	the written shareholders' approval obtained by the Company in relation to the Target Company Acquisition and the Transactions pursuant to Rule 14.44 of the Listing Rules

"Wuxi Huayu"	Wuxi Huayu Real Estate Co., Ltd.* (無錫華宇置業有限公司), a company established under the laws of the PRC with limited liability, the ultimate beneficial owners of which were Mr. Zhang Linzhong (張林忠先生) and Ms. Zhang Lihua (張麗華女士) as at the Latest Practicable Date
"Wuxi Shanshui"	Wuxi Shanshui Huigu Town Construction Development Co., Ltd.* (無錫山水慧谷城鎮建設發展有限公司), a company established under the laws of the PRC with limited liability, the ultimate beneficial owner of which was the People's Government of Wuxi* (無錫市人民政府) as at the Latest Practicable Date
"Wuxi Yinzetao"	Wuxi Yinzetao Enterprise Management Co., Ltd.* (無錫銀澤濤企業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Wuxi Yinzexuan"	Wuxi Yinzexuan Enterprise Management Co., Ltd.* (無錫銀澤渲企業管理有限公司), a company established under the laws of the PRC with limited liability, and a wholly-owned subsidiary of the Company as at the date of the Cooperation Agreement
"Yihe Creditors"	seven creditors of the Yihe Real Estate Group, all of which are Independent Third Parties
"Yihe Land"	a total of approximately 396,364.52 sq. m. of the Target Land which was under the development of Yihe Real Estate as at the Latest Practicable Date
"Yihe Project"	phases IV and V of the Target Project which were under the development of Yihe Real Estate as at the Latest Practicable Date
"Yihe Real Estate"	Yihe Real Estate Group Co., Ltd.* (頤和地產集團有限公司), a company established under the laws of the PRC with limited liability which was wholly-owned by Long Sen Investments (Hong Kong) Limited and in turn ultimately wholly-owned by Mr. He Jianliang (何建梁先生), and the holder of 67% equity interest in the Target Company as at the date of the Acquisition Framework Agreements
"Yihe Real Estate Group"	Yihe Real Estate and its related companies

"Yincheng Real Estate"	Yincheng Real Estate Group Co., Ltd.* (銀城地產集團股份有限公司), a company established under the laws of the PRC with limited liability, the former holding company of the operating subsidiaries of the Group prior to completion of the Reorganisation
"Yincheng Real Estate Group"	Yincheng Real Estate and its subsidiaries from time to time
"Yinzehong"	Wuxi Yinzehong Enterprise Management Co., Ltd.* (無錫銀澤鴻企業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Zhejiang Huahong"	Zhejiang Huahong Holding Group Co., Ltd.* (浙江華虹控股集團有限公司), a company established under the laws of the PRC with limited liability which was owned as to 70% and 30% by Mr. Zhao and Mr. Zhao Zhihao (趙志昊先生), respectively, and the holder of 22.308% equity interest in the Target Company as at the date of the Acquisition Framework Agreements
"Zhejiang Jinyu"	Zhejiang Jinyu Asset Management Co., Ltd.* (浙江金珏資產管理有限公司), a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability
"Zheshang Asset Management"	Zhejiangsheng Zheshang Asset Management Co., Ltd.* (浙江省浙商資產管理有限公司), a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability
"Zheyue Asset Management"	Zheyue Asset Management Co., Ltd.* (浙越資產管理有限公司), a state-owned enterprise (國有企業) incorporated under the laws of the PRC with limited liability
"%"	per cent.

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

* *For identification purposes only*

银城國際控股有限公司
YINCHENG INTERNATIONAL HOLDING CO., LTD.
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1902)

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

Executive Directors:
Ma Baohua
Zhu Li
Wang Zheng
Shao Lei

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

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

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

26 February 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS

(1) THE ENTERING INTO OF THE FRAMEWORK AGREEMENTS FOR THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND DEBT OF HANGZHOU QINGCHENG

AND

(2) COOPERATION AGREEMENT IN RELATION TO DEVELOPMENT OF THE PROJECT LAND HELD BY WUXI XUELANG

INTRODUCTION

Reference is made to the announcements of the Company dated 15 September 2020, 7 October 2020, 18 December 2020, 23 December 2020, 31 December 2020, 15 January 2021 and 18 January 2021 in relation to, among other things, the Target Company Acquisition and the Transactions.

The purpose of this circular is to provide you with (i) details of the Target Company Acquisition and the Transactions; (ii) financial information of the Group; (iii) financial information of Hangzhou Qingcheng; (iv) financial information of Wuxi Xuelang; (v) management discussion and analysis of Hangzhou Qingcheng; (vi) management discussion and analysis of Wuxi Xuelang; (vii) the unaudited pro forma financial information of the Enlarged Group; (viii) Property Valuation Report I; (ix) Property Valuation Report II and other information as required under the Listing Rules.

(1) THE ENTERING INTO OF THE FRAMEWORK AGREEMENTS FOR THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND DEBT OF HANGZHOU QINGCHENG

On 15 September 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into Acquisition Framework Agreement I with Yihe Real Estate, the Target Company, the Guarantors and Hangzhou Hongyuyuan LLP for the acquisition of Target Equity Interest A (representing 67% equity interest in the Target Company) and Target Debt A (which is amounted to RMB127,173,826.52) at Consideration I of RMB1,090,637,588.09 (subject to adjustments).

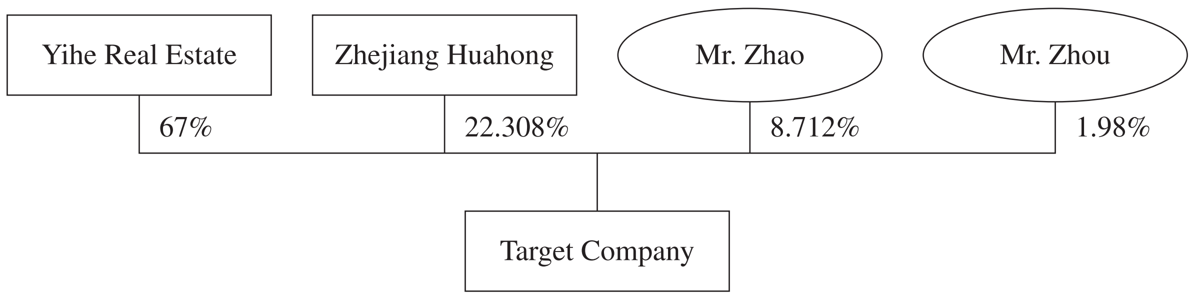
On 15 September 2020 (after trading hours), the Purchaser entered into Acquisition Framework Agreement II with the Huahong Parties and the Target Company for the acquisition of Target Equity Interest B (representing 33% equity interest in the Target Company) and Target Debt B (which is amounted to RMB41,360,903.78) at Consideration II of RMB106,360,903.78 (subject to adjustments).

Background of the Target Company

The Target Company is a limited liability company in the PRC and principally engages in property development and property management. The background information of the Target Company as at the date of the Acquisition Framework Agreements and the circumstances leading to the entering into of the Acquisition Framework Agreements are detailed below.

Shareholding structure of the Target Company

The Target Company was owned by Yihe Real Estate, Zhejiang Huahong, Mr. Zhao and Mr. Zhou, all of which are Independent Third Parties. The shareholding structure of the Target Company was as follows:



Loans due to a creditor and the shareholders of the Target Company by the Target Company

The Target Company was indebted to Kunlun Trust the Kunlun Debt in the amount of RMB358,774,862.94 and was indebted to Yihe Real Estate and the Huahong Parties in the amount of RMB127,173,826.52 and RMB41,360,903.78, respectively.

Loans due to the Yihe Creditors and Zhejiang Huahong by the Yihe Real Estate Group

The Yihe Real Estate Group was indebted to the Yihe Creditors in the total amount of approximately RMB1.05 billion. The Yihe Creditors had commenced legal proceedings against the Yihe Real Estate Group for debt recovery and applied for the freezing of Target Equity Interest A. The Court had imposed such freezing measures on Target Equity Interest A where the dealing of such equity interest had been restricted.

Yihe Real Estate was also indebted to Zhejiang Huahong in the amount of RMB42,143,800. Zhejiang Huahong had commenced legal proceedings against Yihe Real Estate for debt recovery and applied for the freezing of 27.81% equity interest in the Target Company held by Yihe Real Estate. The Court had imposed such freezing measures on 27.81% equity interest in the Target Company held by Yihe Real Estate where the dealing of such equity interest had been restricted.

Assets of the Target Company

The Target Company owned the Target Land, on which Yihe Real Estate and the Huahong Parties had been developing the Yihe Project and the Huahong Project respectively. Details of the approximate site area covered under each of the projects are set out below:

	Yihe Project	**Huahong Project**
	sq.m.	*sq.m.*
Undeveloped site area	276,226.17	3,311
Developed site area	120,138.35	406,196.18
Total area	396,364.52	409,507.18

The Yihe Project had been developing solely by Yihe Real Estate which bore all the costs for the development and enjoyed all revenue generated therefrom. The Huahong Project had been developing solely by the Huahong Parties which bore all the costs for the development and enjoyed all the revenue generated therefrom.

As at the date of the Acquisition Framework Agreements, an area of approximately 21,019 sq. m. of the Yihe Land was subject to seizure measures due to the non-performance of the operational payables in the amount of RMB46,583,095.70 by the Target Company, while an area of approximately 284,956.90 sq. m. of the Yihe Land had been mortgaged by the Target Company to Kunlun Trust as a security for the Kunlun Debt.

Operational payables, receivables and inventories of the Target Company

As at 30 September 2020, the operational payables, receivables and inventories of the Target Company were approximately RMB887,159,455, RMB21,347,971 and RMB312,095,497, respectively.

Financial information of the Target Company

Set out below is the financial information of the Target Company for the years ended 31 December 2018 and 2019:

	For the year ended 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Net loss before taxation	61,185	161,904
Net loss after taxation	62,022	200,393

The audited net liabilities of the Target Company as at 30 September 2020 was approximately RMB553,413,000.

Restructuring and Acquisition of the Target Company

In view of the development potential of the Target Land and the Group's business strategy in expanding its existing business in property development in the Yangtze River Delta Megalopolis, the Group intended to acquire the Target Equity Interest in the Target Company for the development of the undeveloped area of the Target Land into a residential and commercial complex and the carrying on with the sales of unsold residential properties on the developed area of the Target Land. Nonetheless, given the financial position of the Target Company and its shareholders, debt restructuring in relation to the Target Company and its shareholders has to be carried out in preparation for the Target Company Acquisition.

Hangzhou Hongyuyuan LLP was first set up with its sole purpose to facilitate the acquisition of the Kunlun Debt and provide financial assistance to the Purchaser for settlement of the Target Company Acquisition. Yinzehong (an indirect wholly-owned subsidiary of the Company) and the Asset Management Parties shall contribute to Hangzhou Hongyuyuan LLP in the amount of RMB150,000,000 and RMB1,150,010,000, respectively.

The Acquisition Framework Agreements were entered into to set out the terms and conditions of the Target Company Acquisition, in particular the steps and procedures in relation to (i) the repayment of debts owed by the Yihe Real Estate Group to the Yihe Creditors and Zhejiang Huahong for uplifting the freezing measures on Target Equity Interest A; and (ii) the release of mortgages over the land use rights of certain portion of the Yihe Land prior to completion of the Target Company Acquisition.

In order to release the land use rights of the Yihe Land for an area of approximately 284,956.90 sq. m. that had been mortgaged in favour of Kunlun Trust prior to completion of the Target Company Acquisition, the Purchaser shall entrust Zheshang Asset Management to enter into a debt transfer agreement with Kunlun Trust for the acquisition of the Kunlun Debt at the consideration of RMB304,657,271.23.

The Acquisition Framework Agreements

Major Terms of Acquisition Framework Agreement I

The major terms of Acquisition Framework Agreement I are detailed below.

Subject assets to be acquired

The Purchaser has agreed to acquire, and Yihe Real Estate has agreed to sell, Target Equity Interest A (representing 67% of the entire equity interest in the Target Company) and Target Debt A (being the debt of RMB127,173,826.52 owed by the Target Company to Yihe Real Estate).

Consideration I

Consideration I of RMB1,090,637,588.09 (subject to adjustments) comprises the following:

(a) Equity Transfer Price A of RMB131,969,760 (which is derived from based on the paid-in capital contribution of the Target Company by Yihe Real Estate) for the acquisition of Target Equity Interest A;

(b) Debt Transfer Price A of RMB127,173,826.52 (which is equivalent to the amount owed by the Target Company to Yihe Real Estate) for the acquisition of Target Debt A; and

(c) the provision of loans of RMB481,494,001.57 and US$50,000,000 (equivalent to RMB350,000,000) to the relevant companies of the Yihe Real Estate Group (with the Target Company as a joint debtor) for the settlement of debts owed by such relevant companies of the Yihe Real Estate Group to the Yihe Creditors. The repayment obligation of the Yihe Real Estate Group has been waived as all the required conditions have been fulfilled.

Steps and conditions of the transaction and settlement of Consideration I

The transaction contemplated hereunder shall proceed according to the following steps in sequential order. No party shall proceed to the next step before completion of the previous step(s) without the unanimous written consent of Yihe Real Estate and the Purchaser:

(a) within 20 days upon execution of Acquisition Framework Agreement I:

(i) all seizure measures of the land use rights under the name of the Target Company shall have been lifted, and there is no potential disputes and situation that may hinder the transaction hereunder;

(ii) Zheshang Asset Management and Kunlun Trust shall enter into a debt transfer agreement for the acquisition of the Kunlun Debt;

(iii) the Target Company shall mortgage the land use rights of the Yihe Land for an area of approximately 48,751.60 sq. m., which is currently mortgaged to Kunlun Trust as the first mortgagee, to Zheshang Asset Management as the second mortgagee; and

(iv) upon completion of the abovementioned mortgage registration, the Purchaser shall procure Zheshang Asset Management to settle the consideration of RMB304,657,271.23 regarding the Kunlun Debt. The first mortgage of the land use rights for an area of approximately 48,751.60 sq. m. of the Yihe Land in favour of Kunlun Trust shall then be released with Zheshang Asset Management becoming the first mortgagee of such land use rights;

(b) within 30 days upon execution of Acquisition Framework Agreement I:

(i) the Target Company shall mortgage the land use rights of the Yihe Land for (i) an area of approximately 4,169.53 sq. m.; and (ii) an area of approximately 48,751.60 sq. m. to the Trustee as the first mortgagee and the second mortgagee, respectively, and complete such mortgage registrations;

(ii) upon the transfer of the Kunlun Debt to Zheshang Asset Management, Zheshang Asset Management shall request Kunlun Trust to cancel all mortgage registrations on the land use rights of the Yihe Land for an area of approximately 236,205.30 sq. m., and the Target Company shall complete the procedures for merging a number of state-owned land use rights certificates to three state-owned land use rights certificates in relation to the Yihe Land for an area of approximately 223,305.04 sq. m. for unifying the usage and building restrictions on the Target Land; and

(iii) upon completion of the abovementioned merger procedures, the Target Company shall mortgage such land use rights of the Yihe Land for an area of approximately 223,305.04 sq. m. to Zheshang Asset Management as the first mortgagee and to the Trustee as the second mortgagee, respectively, and complete such mortgage registrations;

(c) within 55 days upon execution of Acquisition Framework Agreement I:

(i) the Purchaser shall pay RMB586,965,110.42 (i.e. the sum of RMB105,400,000, RMB67,867,821.17 and RMB413,697,289.25 which is derived from Equity Transfer Price A, Debt Transfer Price A and the provision of loans by the Purchaser, respectively) in total to the escrow accounts jointly controlled by the Purchaser and the relevant five Yihe Creditors, respectively, and all such creditors shall agree to uplift the freezing measures on Target Equity Interest A;

(ii) the Purchaser shall instruct its affiliate to pay US$50,000,000 (equivalent to RMB350,000,000) and place the proceeds of such loan to an escrow account jointly controlled by the affiliate of the Purchaser and one of the Yihe Creditors;

(iii) the Purchaser shall pay RMB67,796,712.33 to an escrow account jointly controlled by the Purchaser and one of the Yihe Creditors;

(iv) the Purchaser shall settle Debt Transfer Price B and RMB782,896.22 (i.e. RMB42,143,800 in total) in accordance with Acquisition Framework Agreement II to the escrow account jointly controlled by the Purchaser and the Huahong Parties; and

(v) all freezing measures on Target Equity Interest A shall have been uplifted, and there is no potential obstacle on the transfer of Target Equity Interest A and Target Equity Interest B;

(d) within 60 days upon execution of Acquisition Framework Agreement I:

(i) Yihe Real Estate shall complete the registration of Target Equity Interest A under the name of the Purchaser; and

(ii) the Huahong Parties shall complete the registration of Target Equity Interest B under the name of the Purchaser;

(e) within 30 days upon completion of all the steps in paragraphs (a) to (d) above provided that no dispute arises from the parties to Acquisition Framework Agreement I:

(i) the Purchaser shall provide a loan of RMB15,861,067.70 to the Target Company and place the proceeds of such loan into the designated account of a creditor of the Target Company;

(ii) the Purchaser shall provide a loan of RMB30,722,028 to the Target Company and place the proceeds of such loan into the designated account of a creditor of the Target Company; and

(iii) the Purchaser shall release the funds in the escrow accounts as detailed in paragraphs (c)(i) to (c)(iv) above to the designated accounts of the relevant Yihe Creditors and the Huahong Parties, and pay RMB50,000,000 to the designated account of one of the Yihe Creditors;

(f) within five business days upon completion of all the steps in paragraphs (a) to (e) above provided that (i) no dispute arises from the parties to Acquisition Framework Agreement I; (ii) no new encumbrance has been created over the Target Equity Interest and the land use rights of the Target Land; and (iii) no foreseeable risk of the Target Company having to bear material liabilities has been determined preliminarily by the Purchaser, the Purchaser shall pay RMB2,439,790 to Yihe Real Estate; and

(g) upon completion of all the steps in paragraphs (a) to (f) above, the Purchaser shall settle Equity Transfer Price A (to the extent remains unpaid and subject to adjustments) and Debt Transfer Price A (to the extent remains unpaid and subject to adjustments) within 30 days after the determination of Adjustments I.

The table below sets out a summary of the settlement of Consideration I:

	Amount derived from			
	Equity Transfer Price A	**Debt Transfer Price A**	**the provision of loans by the Purchaser**	
	RMB	*RMB*	*RMB*	*US$*
Settlement under paragraphs (c) to (f) above				
Payee				
Yihe Creditors	105,400,000.00(1)	117,867,821.17(2)	481,494,001.57(3)	50,000,000(4)
Yihe Real Estate	2,439,790.00(5)	—	—	—
Sub-total	107,839,790.00	117,867,821.17	481,494,001.57	50,000,000
Settlement under paragraph (g) above (6)				
Yihe Real Estate	24,129,970.00	9,306,005.35	—	—
Total	131,969,760.00	127,173,826.52	481,494,001.57	50,000,000

Notes:

(1) Settlement of this amount is detailed in paragraph (c)(i) above

(2) Settlement of this amount is the sum of RMB67,867,821.17 and RMB50,000,000 as detailed in paragraphs (c)(i) and (e)(iii) above

(3) Settlement of this amount is the sum of RMB413,697,289.25 and RMB67,796,712.33 as detailed in paragraphs (c)(i) and (c)(iii) above

(4) Settlement of this amount is detailed in paragraph (c)(ii) above

(5) Settlement of this amount is detailed in paragraph (f) above

(6) On the assumption that the amount calculated and the estimated amount as specified in Acquisition Framework Agreement I is the same

Adjustments of Consideration I

The Purchaser shall conduct a final calculation of the payables, receivables and value of inventories of the Target Company arising from the operations and development of the Yihe Project on the date on which all such payables have become due or on the date on which the amount of payables of the Target Company which have been settled is more than RMB767,780,032, and Equity Transfer Price A and Debt Transfer Price A shall be adjusted as follows:

(a) if the amount calculated is higher than the estimated amount as specified in Acquisition Framework Agreement I, the difference between the amount calculated and the estimated amount shall first be deducted from Equity Transfer Price A (to the extent remains unpaid). If Equity Transfer Price A (to the extent remains unpaid) is not enough to off-set such difference, the remainder of such difference shall then be deducted from Debt Transfer Price A (to the extent remains unpaid). Should there still be a difference after deduction of Equity Transfer Price A and Debt Transfer Price A, the remainder of such difference shall be reimbursed by Yihe Real Estate to the Purchaser in cash; and

(b) if the amount calculated is lower than the estimated amount as specified in Acquisition Framework Agreement I, the Purchaser shall first pay Equity Transfer Price A (to the extent remain unpaid) and Debt Transfer Price A (to the extent remain unpaid) to Yihe Real Estate, then pay the difference between the amount calculated and the estimated amount to Yihe Real Estate in cash and such amount shall form part of Equity Transfer Price A.

Guarantee

Mr. He Jianliang (何建梁先生) and Mr. He Jianxin (何建信先生), as guarantors to Acquisition Framework Agreement I, shall provide joint and several guarantee for the obligations of Yihe Real Estate to settle all payables of the Target Company (including the payables as specified in Acquisition Framework Agreement I and the payables that

Yihe Real Estate may not be aware of hence not disclosed in Acquisition Framework Agreement I) for a period of two years from the date on which any of such payables become due.

Liabilities of Yihe Real Estate for non-disclosure of payables and receivables of the Target Company

Should there be any liabilities of the Target Company arising from the operations by Yihe Real Estate which has not been disclosed to the Purchaser as at the date of Acquisition Framework Agreement I, the Target Company or the Purchaser shall, upon the occurrence of such event of default or prospective event of default, have the right to request Yihe Real Estate to take full responsibility without taking into account the consequences arising from the determination of Adjustments I.

Should Yihe Real Estate not be able to take up such responsibility, the relevant amount payable as a result of such non-disclosure shall be deducted directly from Consideration I. The Purchaser and the Target Company may also pay the relevant amount on behalf of Yihe Real Estate, where Yihe Real Estate shall (i) reimburse such amount to the Purchaser and the Target Company and pay an interest that is calculated based on the amount payable at a rate of 0.05% per day from the date on which such amount has been paid; and (ii) compensate all losses and damages suffered by the Purchaser and the Target Company.

Liabilities for breach of Acquisition Framework Agreement I

(a) Should the steps as detailed in the sub-paragraphs (a) to (d) of the paragraph headed "Steps and conditions of the transaction and settlement of Consideration I" in this section failed to be completed within the relevant time limit, the Purchaser or Hangzhou Hongyuyuan LLP shall have the right to terminate Acquisition Framework Agreement I by written notice:

    (i) should the termination be caused by the failure to complete the steps as detailed in the sub-paragraph (c) or (d) of the paragraph headed "Steps and conditions of the transaction and settlement of Consideration I" in this section:

        (1) the Purchaser shall have the right to request the release of the escrow measures on all the escrow accounts jointly controlled by the Purchaser and the relevant Yihe Creditors and retrieve all funds therein, and Yihe Real Estate and the Target Company shall pay to the Purchaser an interest which is calculated based on the funds paid at a rate of 15% per annum from the date on which such funds have been deposited to the escrow accounts to the date all such funds have been retrieved;

        (2) the Purchaser no longer has to fulfill the remaining obligations under Acquisition Framework Agreement I; and

(3) should the escrow measures on all the escrow accounts have still not been released within ten days upon termination of Acquisition Framework Agreement I:

(i) the Purchaser shall have the right to request the repayment of loans of US$50,000,000 (equivalent to RMB350,000,000) and RMB4,900,000 by the relevant related companies of Yihe Real Estate; and

(ii) the Target Company and Yihe Real Estate shall pay to the Purchaser all funds as deposited by the Purchaser into the escrow accounts jointly controlled by the Purchaser and the relevant Yihe Creditors, and have the right to request the Purchaser to release the funds as deposited to such escrow accounts to the designated accounts of the Yihe Creditors.

(b) Should the termination of Acquisition Framework Agreement I be caused by Yihe Real Estate or the Target Company, the Purchaser shall have the right to request Yihe Real Estate to pay a penalty of RMB50,000,000 in addition to its rights as set out in the sub-paragraph (a) above, and request Yihe Real Estate to compensate its losses and damages should such penalty not be enough to cover its losses and damages.

(c) Should Acquisition Framework Agreement I be terminated due to the default or malicious breach of agreement by the Purchaser, Yihe Real Estate shall have the right to request the Purchaser to pay a penalty of RMB50,000,000, and continue to request the Purchaser to compensate its losses and damages should such penalty fee not be enough to cover its losses and damages.

(d) Should Acquisition Framework Agreement II be unexecuted, cancelled, terminated, unenforceable and/or revoked, the Purchaser and Hangzhou Hongyuyuan LLP shall have the right to terminate Acquisition Framework Agreement I by giving written notice pursuant to the terms as detailed in the sub-paragraph (a) above.

(e) Should Acquisition Framework Agreement I be invalid or unenforceable, Yihe Real Estate and the Target Company shall compensate all losses and damages of the Purchaser and Hangzhou Hongyuyuan LLP caused thereby, including but not limited to all the unrecoverable amounts paid in relation to Consideration I, plus interest which is calculated based on such paid amounts at a rate of 15% per annum. Yihe Real Estate shall also compensate Debt Transfer Price B to the Purchaser. Should Target Equity Interest A has then been registered under the name of the Purchaser, the Purchaser shall transfer Target Equity Interest A to Yihe Real Estate upon Yihe Real Estate having compensated all losses and damages of the Purchaser.

(f) Should the situation as detailed in the sub-paragraphs (a) to (c) above occur or Acquisition Framework Agreement I be invalid or unenforceable as detailed in the sub-paragraph (e) above, upon Yihe Real Estate or the Target Company having fulfilled all of its obligations under the Acquisition Framework Agreement I, the Purchaser shall (i) release the joint management of the Target Company by Yihe

Real Estate, the Huahong Parties and the Purchaser or transfer the equity interest in the Target Company back to Yihe Real Estate and the Huahong Parties; and (ii) release all mortgage/pledge registrations of the land use rights of the Yihe Land and, if any, the asset of Yihe Real Estate which is worth not less than RMB43,000,000.

Major Terms of Acquisition Framework Agreement II

The major terms of Acquisition Framework Agreement II are detailed below.

Subject assets to be acquired

The Purchaser has agreed to acquire, and the Huahong Parties has agreed to sell, Target Equity Interest B (representing 33% of the entire equity interest in Target Company) and Target Debt B (being debt of RMB41,360,903.78 owed by the Target Company to the Huahong Parties and their associates).

Consideration II

Consideration II of RMB106,360,903.78 (subject to adjustments) comprises the following:

(a) Equity Transfer Price B of RMB65,000,000 (which is derived from based on the paid-in capital contribution of the Target Company by the Huahong Parties) for the acquisition of Target Equity Interest B; and

(b) Debt Transfer Price B of RMB41,360,903.78 (which is equivalent to the amount owed by the Target Company to the Huahong Parties) for the acquisition of Target Debt B.

Steps and conditions of the transaction and settlement of Consideration II

The transaction contemplated hereunder shall proceed according to the following steps in sequential order. No party shall proceed to the next step before completion of the previous step(s):

(a) within 55 days upon execution of Acquisition Framework Agreement II:

(i) upon (1) completion of the procedures for merging a number of state-owned land use rights certificates to three state-owned land use rights certificates in relation to the Yihe Land for an area of approximately 223,305.04 sq. m. for the purpose of unifying the usage and building restrictions on the Target Land and that the land use rights of the Yihe Land for an area of approximately 223,305.04 sq. m. having been mortgaged to Zheshang Asset Management and the Trustee as the first mortgagee and the second mortgagee, respectively, with such mortgages being registered; (2) the land use rights of the Yihe Land for an area of approximately 4,169.53 sq. m. having been mortgaged to the Trustee as the first mortgagee with such mortgage being registered; and (3) the land use rights of the Yihe Land for an area of approximately 48,751.60 sq. m. having been mortgaged to the Trustee as the second mortgagee with such mortgage being registered, the Purchaser shall pay Debt Transfer Price B and RMB782,896.22 (i.e. RMB42,143,800 in total) to an escrow account jointly controlled by the Purchaser and the Huahong Parties;

(ii) the Huahong Parties shall ensure that the court has uplifted the freezing measures on 27.81% equity interest in the Target Company held by Yihe Real Estate (1) upon the Purchaser having paid RMB42,143,800 to the escrow account as set out in the sub-paragraph (a)(i) above; and (2) within seven business days upon the freezing measures on Target Equity Interest A having been lifted; and

(iii) there is no situation or potential situation that may hinder the transfer of Target Equity Interest A and Target Equity Interest B;

(b) within 60 days upon execution of Acquisition Framework Agreement II:

(i) the Huahong Parties shall complete the registration of Target Equity Interest B under the name of the Purchaser; and

(ii) the registration of Target Equity Interest A shall be completed under the name of the Purchaser;

(c) within three business days upon completion of all the steps in paragraphs (a) and (b) above provided that no dispute arises from the parties to Acquisition Framework Agreement II:

(i) the Purchaser and the Huahong Parties shall release the funds of RMB42,143,800 in the escrow account jointly controlled by the Purchaser and the Huahong Parties to the designated account of the Huahong Parties, and if there is any remainder in such escrow account, such amount shall belong to the Purchaser; and

(ii) the Huahong Parties shall cooperate with the Purchaser as per its request to change or cancel the name chop of Mr. Zhao, and release the joint management of the escrow account by the Purchaser and the Huahong Parties; and

(d) upon completion of all the steps in paragraphs (a) to (c) above, the Huahong Parties and the Purchaser shall settle the remaining RMB64,217,103.78 of Consideration II within 30 days after the determination of Adjustments II.

Adjustments to Consideration II

Consideration II shall be adjusted as follows:

Preliminary adjustment

(a) upon reaching the sixth month after the date on which the Target Equity Interest has been registered under the name of the Purchaser or the date on which specific payables of the Target Company arising from the operations and development of the Huahong Project as specified in Acquisition Framework Agreement II have been settled in full, whichever is earlier, the Huahong Parties and the Purchaser shall conduct a calculation of the payables, receivables and value of inventories of the Target Company arising from the operations and development of the Huahong Project. Upon completion of the preliminary adjustment:

(i) if the Huahong Parties are required to pay the Purchaser, such amount shall be deducted from Equity Transfer Price B (to the extent remains unpaid), and the remaining Equity Transfer Price B (if any) shall then be paid to the Purchaser within 30 days upon completion of the preliminary adjustment. If Equity Transfer Price B (to the extent remains unpaid) is not enough to settle the amount, the Purchaser shall have the right to continue to claim the outstanding amount from the Huahong Parties; and

(ii) if the Purchaser is required to pay to the Huahong Parties, the Purchaser shall, within 30 days upon completion of the preliminary adjustment, pay to the Huahong Parties Equity Transfer Price B (to the extent remains unpaid) and the amount payable as determined during the preliminary adjustment (where such amount shall form part of Equity Transfer Price B); and

Final adjustment

(b) upon all payables of the Target Company arising from the operations and development of the Huahong Project as specified in Acquisition Framework Agreement II have become due, the Huahong Parties and the Purchaser shall conduct a final calculation of the payables, receivables which have been realised and value of inventories which have been realised:

(i) if the final amount calculated is higher than the amount as determined during the preliminary adjustment, the difference between the final amount calculated and the amount determined during the preliminary adjustment shall be paid by the Huahong Parties to the Purchaser in cash; and

(ii) if the final amount calculated is lower than the amount as determined during the preliminary adjustment, the difference between the amount determined during the preliminary adjustment and the final amount calculated shall be paid by the Purchaser to the Huahong Parties in cash.

Liabilities of the Huahong Parties for non-disclosure of payables of the Target Company

Should the operational payables, receivables and value of inventories of the Target Company arising from the operations and development of the Huahong Project as specified in Acquisition Framework Agreement II become untrue, inaccurate and incomplete due to the non-disclosure of such by the Huahong Parties, the Target Company or the Purchaser shall have the right to request the Huahong Parties to take full responsibility without taking into account the consequences arising from the determination of Adjustments II.

Should the Huahong Parties not be able to take up such responsibility, the relevant amount payable as a result of such non-disclosure shall be deducted directly from Consideration II. The Purchaser and the Target Company may also pay the relevant amount on behalf of the Huahong Parties, where the Huahong Parties shall (i) reimburse such amount to the Purchaser and the Target Company and pay an interest that is calculated based on the amount payable at a rate of 0.05% per day from the date on which such amount was paid; and (ii) compensate all losses and damages suffered by the Purchaser and the Target Company.

Liabilities for breach of Acquisition Framework Agreement II

(a) Should the steps as detailed in the sub-paragraphs (a) to (b) of the paragraph headed "Steps and conditions of the transaction and settlement of Consideration II" in this section fail to be completed within the relevant time limit, the Purchaser shall have the right to terminate Acquisition Framework Agreement II without any reason by written notice:

   (i) should the termination be caused by the failure to complete the steps as detailed in the sub-paragraphs (a) and (b) of the paragraph headed "Steps and conditions of the transaction and settlement of Consideration II" in this section, all funds in the escrow account jointly controlled by the Purchaser and the Huahong Parties shall belong to the Purchaser, and the Huahong Parties shall cooperate with the Purchaser as per its request to change or cancel the name chop of Mr. Zhao and release the joint management of such escrow account; and

   (ii) should the escrow measures on the escrow account jointly controlled by the Purchaser and the Huahong Parties have still not been released within two days upon termination of Acquisition Framework Agreement II, the Huahong Parties shall pay to the Purchaser a penalty calculated at the rate of 0.05% per day based on the funds in the escrow account, and the Purchaser shall have the right to request for compensation should such penalty not be enough to cover its losses and damages.

(b) Should the termination of Acquisition Framework Agreement II be caused by the Huahong Parties or the Target Company (including but not limited to the failure to (i) have the freezing measures on Target Equity Interest A uplifted within the time limit; and (ii) complete the registration of Target Equity Interest B under the name of the Purchaser), the Purchaser shall have the right to request the Huahong Parties to pay a penalty of RMB10,000,000 in addition to its rights as set out in the sub-paragraph (a) above, and continue to request the Huahong Parties to compensate its losses and damages should such penalty not be enough to cover its losses and damages.

(c) Should the Purchaser fail to release the funds in the escrow account jointly controlled by the Huahong Parties and the Purchaser or pay Equity Transfer Price B (to the extent remains unpaid) and any additional amount as determined during Adjustments II in accordance with the paragraph headed "Adjustments of Consideration II" in this section, the Purchaser shall pay to the Huahong Parties a penalty calculated based on the amount unpaid at the rate of 0.05% per day for each day on which such amount has been overdue.

(d) Should Acquisition Framework Agreement II be terminated due to the default or malicious breach of agreement by the Purchaser, the Huahong Parties shall have the right to request the Purchaser to pay a penalty of RMB10,000,000, and continue to request the Purchaser to compensate its losses and damages should such penalty not be enough to cover its losses and damages.

(e) Should Acquisition Framework Agreement I be unexecuted, cancelled, terminated, invalid and/or unenforceable, the Purchaser shall have the right to terminate Acquisition Framework Agreement II by giving unilateral written notice. Should RMB42,143,800 been paid to the escrow account jointly controlled by the Purchaser and the Huahong Parties by then, the Purchaser shall have the right to request the Huahong Parties to return such funds to the Purchaser in accordance with paragraph (a) above. Should RMB42,143,800 been released to the Huahong Parties, other than such RMB42,143,800, the Purchaser shall have the right to request the Huahong Parties to return the remaining Equity Transfer Price B (if any), and Target Equity Interest B shall also be transferred from the Purchaser to the Huahong Parties.

Encumbrances over the Target Land and the Target Company upon completion of the Target Company Acquisition

Upon completion of the Target Company Acquisition, certain encumbrances would have been created over the land use rights of the Target Land and the equity interest in the Target Company, details of which are as follow:

(a) the land use rights of the Yihe Land for an area of approximately 48,751.60 sq.m. would have been mortgaged to Zheshang Asset Management and the Trustee as the first mortgagee and the second mortgagee, respectively;

(b) the land use rights of the Yihe Land for an area of approximately 4,169.53 sq.m. would have been mortgaged to the Trustee as the first mortgagee;

(c) the land use rights of the Yihe Land for an area of approximately 223,305.04 sq.m. would have been mortgaged to Zheshang Asset Management and the Trustee as the first mortgagee and the second mortgagee, respectively; and

(d) 49% equity interest in the Target Company which shall then be held by the Purchaser would have been registered under the name of Hangzhou Hongyuyuan LLP as security for the loan provided by Hangzhou Hongyuyuan LLP to the Purchaser.

Information of the Parties to the Acquisition Framework Agreements

The Group

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

The Purchaser is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Purchaser principally engages in enterprise management.

Yihe Real Estate

Yihe Real Estate is a company established under the laws of the PRC with limited liability and principally engages in property development. As at the Latest Practicable Date, Yihe Real Estate was wholly-owned by Long Sen Investments (Hong Kong) Limited and in turn ultimately wholly-owned by Mr. He Jianliang (何建梁先生).

Zhejiang Huahong

Zhejiang Huahong is a company established under the laws of the PRC with limited liability and principally engages in trading and real estate investment. As at the Latest Practicable Date, Zhejiang Huahong was owned as to 70% and 30% by Mr. Zhao and Mr. Zhao Zhihao (趙志昊先生), respectively.

Hangzhou Hongyuyuan LLP

Hangzhou Hongyuyuan LLP is a limited partnership established in the PRC and principally engages in enterprise management. As at the Latest Practicable Date, Yinzehong, Zheshang Asset Management, Zheyue Asset Management and Zhejiang Jinyu were the partners of Hangzhou Hongyuyuan LLP whose capital contribution are RMB150,000,000, RMB975,000,000, RMB175,000,000 and RMB10,000, respectively.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of (i) Yihe Real Estate and its ultimate beneficial owner; (ii) Zhejiang Huahong and its ultimate beneficial owners; (iii) the Target Company and its ultimate beneficial owners; and (iv) the Guarantors is an Independent Third Party.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save for Yinzehong which is an indirect wholly-owned subsidiary of the Company, each of Hangzhou Hongyuyuan LLP and its ultimate beneficial owners is an Independent Third Party.

Basis of the Consideration

The total amount payable for the Target Company Acquisition is RMB1,650 million, comprising the Target Company Acquisition Consideration of RMB1,196,998,491.87, the consideration of the Kunlun Debt of RMB304,657,271.23 and certain assumed liability of the Target Company of RMB148,354,236.90. Such total amount payable was determined after arm's length negotiation among the Purchaser, Yihe Real Estate, the Huahong Parties, the Target Company, the Guarantors and Hangzhou Hongyuyuan LLP on normal commercial terms with reference to:

(i) the major assets owned by the Target Company, namely the Yihe Project, of which the total asset value (including the Yihe Land and the properties that were under construction thereon) was approximately RMB0.36 billion as per the unaudited financial position of the Target Company as at 31 May 2020 and approximately RMB2.19 billion as per the valuation report issued by an independent valuer as at 19 June 2020;

(ii) the room for possible increment of the appraised total asset value of the Yihe Project from time to time. The appraised total asset value as at 31 December 2020 was approximately RMB2.47 billion as per the valuation report appended in Appendix VII to this circular;

(iii) the total liabilities of the Target Company of approximately RMB0.86 billion as at 31 May 2020; and

(iv) the business development opportunities and prospect of the Target Project upon completion of the Target Company Acquisition.

Funding Arrangement and Financial Effect of the Target Company Acquisition

In order to facilitate the Target Company Acquisition, the Group financed RMB500 million from its internal resources and obtained funding of RMB1,150 million from the Asset Management Parties via Hangzhou Hongyuyuan LLP. The funding for the Target Company Acquisition shall be used in the following manner:

(i) RMB350 million of the Group's internal resources and RMB846,998,491.87 of the funding provided by the Asset Management Parties, respectively, shall be used to settle the Target Company Acquisition Consideration;

(ii) RMB150 million of the Group's internal resources and RMB154,657,271.23 of the funding provided by the Asset Management Parties, respectively, shall be used to settle the consideration of the Kunlun Debt; and

(iii) the remaining RMB148,354,236.90 of the funding provided by the Asset Management Parties shall be used for settlement of certain assumed liability of the Target Company.

Based on the Group's experience, commercial banks generally do not provide funding to facilitate distressed assets acquisition. As such, the Group approached asset management corporations and trust companies to explore financing and funding arrangement. The Group decided to obtain funding from the Asset Management Parties due to the reasons as follows:

(i) the Asset Management Parties are state-owned enterprises (國有企業) incorporated in the PRC which are well-established and experienced in dealing with distressed assets;

(ii) the Group had previously obtained funding from the Asset Management Parties for acquisition of another company which was under financial difficulties;

(iii) the annualised rate of return at 11.5% offered by the Asset Management Parties is at the lower end of the range of interest rates normally offered by asset management corporations and trust companies which are in the range of 11% to 15%; and

(iv) the approval process for the obtaining of funds from the Asset Management Parties is relatively faster as the funding application can be passed directly to the headquarters of the Asset Management Parties which are located in Zhejiang Province of the PRC, while the headquarters of other asset management corporations and trust companies that are experienced in funding distressed assets acquisition are located in the other cities.

With regard to the RMB1,150 million provided by the Asset Management Parties via Hangzhou Hongyuyuan LLP, the Group shall pay a return on such RMB1,150 million at an annualised rate of return at 11.5% every three months. The amount of RMB1,150 million together with all returns accrued thereon due and payable shall be repaid by the Group to the Asset Management Parties on or before 3 September 2023.

As at the Latest Practicable Date, the Target Company Acquisition has been completed. The Target Company has become an indirect wholly-owned subsidiary of the Company and its financial results has been consolidated into the consolidated financial statements of the Group.

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Target Company Acquisition.

Reasons for and Benefits of the Target Company Acquisition

The Target Project is located in Qingshan Lake Technology Town* (青山湖科技城) of the Lin'an District* (臨安區) which is currently one of the core developing areas in the Lin'an District* (臨安區) and is currently under the town planning with an aim of having the elements of research and development, industrialisation and modern and comprehensive life services support integrated in the community. The location of the Target Project is approximately 6.5 kilometres away from the Lin'an District Government buildings and approximately 1.1 kilometres away from the Hanglin Chengji Babaili Station* (杭臨城際八百里站), a railway station for interchanging other railway lines to the Hangzhou downtown area. The Target Project is also surrounded by beautiful scenery of mountains and the Qingshan Lake* (青山湖).

As such, the Board is of the view that the Target Company Acquisition can expand the Group's land reserve and its existing business in developing quality residential properties in the Yangtze River Delta Megalopolis, hence would exert its strength, further enhance its presence and influence in the Yangtze River Delta Megalopolis, and bring in more investment return for the Shareholders.

The Directors (including the independent non-executive Directors) considered that the Target Company Acquisition is carried out on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group's Development Plan of the Target Land

Undeveloped Area of the Target Land

The market demand for residential properties in the Lin'an District has been consistently strong for the past five years as the average annual turnover in the past five years amounted to approximately 131 million sq.m. The Qingshan Lake Technology Town in which the Target Land is located ranks the first in the Lin'an District in terms of residential properties turnover rate.

The Group believes that given the high demand for small to medium size residential properties in the Qingshan Lake Technology Town, there is a market opportunity for high-rise residential units and high-end low-rise residential units as they are relatively rarer in the market. Therefore, the Group intends to develop various types of such aforementioned quality residential properties to capture the market opportunity. Besides, the Group also plans to develop commercial properties to capture the potential demand that could be brought by Lin'an District's town planning which is aimed to integrate the elements of research and development, industrialisation and modern and comprehensive life services support into the community.

The Group plans to invest approximately RMB4 billion in total for the development of the undeveloped area of the Target Land. Such total investment amount is mainly for settlement of the Target Company Acquisition Consideration and payment of the construction costs, management fees, marketing expenses and other administrative expenses in relation to the development of the undeveloped area of the Target Land and the sale of properties to be built thereon.

The undeveloped area of the Target Land is divided into five plots, namely A2, B1, B2, C and D. Set forth below is the types of properties the Group plans to develop thereon:

Plot	Property type
A2	Commercial properties
B1	High-rise residential units and high-end low-rise residential units
B2	High-rise residential units and high-end low-rise residential units
C	High-rise residential units and high-end low-rise residential units
D	High-end low-rise residential units

The development will be carried out in five phases and the expected milestone dates are shown in the table below:

Milestone	Phase Plot Property type	1 B1 High-rise residential units and high-end low-rise residential units	2 A2 Commercial properties	3 C High-rise residential units and high-end low-rise residential units	4 B2 High-rise residential units and high-end low-rise residential units	5 D High-end low-rise residential units
Estimated date of commencement of construction works		15 October 2020	30 March 2021	30 March 2021	20 November 2021	10 October 2022
Estimated date of commencement of sale of properties		30 December 2020	1 July 2023	30 October 2021	5 March 2022	1 July 2023
Estimated date of completion of construction works		28 February 2022	30 April 2023	30 October 2022	30 July 2023	30 April 2024
Estimated date of completion of sale and handover of properties		30 May 2022	30 June 2023	30 December 2022	30 September 2023	30 July 2024

Completed Inventories Held for Sale

The completed inventories held by the Target Company for sale includes the following:

(i) residential properties developed under the Huahong Project by the Huahong Parties which had originally been sold but were then returned to the Target Company for re-sale; and

(ii) unsold car parking spaces developed under the Yihe Project by Yihe Real Estate.

In relation to item (i) above, the residential properties will be open for sale upon completion of the Acquisition. The sale proceeds will be paid to the Huahong Parties who had been the developer of the Huahong Project as the Group only carries on with such sale for and on behalf of the Huahong Parties.

In relation to item (ii) above, the car parking spaces will be open for sale upon completion of the Acquisition. As the Group also acquired the unsold car parking spaces built on the Yihe Land in addition to the Target Land through the acquisition of the Target Company, the revenue to be generated from the sale of such car parking spaces will be recorded in the financial statements of the Group.

(2) COOPERATION AGREEMENT IN RELATION TO DEVELOPMENT OF THE PROJECT LAND HELD BY WUXI XUELANG

On 20 October 2020, Wuxi Huayu won the tender for acquiring (i) the entire equity interest in the Project Company from Wuxi Shanshui; and (ii) the debt in the amount of RMB700,000,000 owed by the Project Company to Wuxi Shanshui, at the Project Company Acquisition Consideration of RMB752,087,000 and the Transaction Service Fee of RMB4,708,600. The principal asset of the Project Company is the Project Land. On 10 November 2020, the Equity Transaction Agreement was entered into between Wuxi Huayu and Wuxi Shanshui for the Project Company Acquisition.

On 23 December 2020 (after trading hours), Wuxi Huayu, Wuxi Yinzetao (a wholly-owned subsidiary of the Company) and Wuxi Yinzexuan (a wholly-owned subsidiary of the Company) entered into the Cooperation Agreement, pursuant to which:

(i) after Wuxi Huayu pays 30% of the Project Company Acquisition Consideration to Wuxi Shanshui and Wuxi Shanshui completes the transfer of the entire equity interest in the Project Company to Wuxi Huayu pursuant to the Equity Transaction Agreement, Wuxi Huayu shall transfer the entire equity interest in the Project Company to Wuxi Yinzexuan;

(ii) in consideration of Wuxi Huayu transferring the entire equity interest in the Project Company to Wuxi Yinzexuan:

   (a) Wuxi Yinzexuan shall allot its 50% equity interest to Wuxi Huayu;

   (b) Wuxi Yinzexuan shall together with Wuxi Yinzetao, pay RMB150,417,400 to Wuxi Huayu to facilitate Wuxi Huayu to settle 20% of the Project Company Acquisition Consideration and RMB89,797,000 to the Project Company for settlement of the Supplemental Land Fee; and

   (c) the Project Company shall pay RMB376,043,500 through Wuxi Yinzexuan to Wuxi Huayu to facilitate Wuxi Huayu to settle the remaining 50% of the Project Company Acquisition Consideration; and

(iii) Wuxi Huayu and Wuxi Yinzetao shall co-develop the Project Land through Wuxi Yinzexuan and the Project Company.

Principal Terms of the Cooperation Agreement

Basic information of the Project Land

Location:	Situated at the east to Wuhu Avenue, south to Gaoyuan Road, west to Planning Road and north to Hefeng Road* (東至五湖大道、南至高遠路、西至規劃道路、北至和風路)
Total site area:	28,845.3 m^2
Term of land use rights:	70 years for residential use and 40 years for commercial use
Restrictions on development and constructions:	(i) the floor area ratio shall be no less than 2.5 and no more than 2.7; (ii) the building density shall be no more than 40%; (iii) the building height limit shall be 80 metres; and (iv) the green space ratio shall be no less than 30%.

Capital contribution to Wuxi Yinzexuan

As at the date of the Cooperation Agreement, Wuxi Yinzexuan had an unpaid registered capital of RMB1,000,000.

The registered capital of Wuxi Yinzexuan shall be increased to RMB300,000,000 immediately upon execution of the Cooperation Agreement, pursuant to which RMB150,000,000 and RMB150,000,000 shall be contributed by Wuxi Yinzetao and Wuxi Huayu, respectively.

Upon completion of the increase in registered capital of Wuxi Yinzexuan, the equity interest in Wuxi Yinzexuan shall be held as to 50% and 50% by Wuxi Yinzetao and Wuxi Huayu, respectively.

Transfer of the entire equity interest in the Project Company to Wuxi Yinzexuan

Wuxi Huayu agrees that after the payment of 30% of the Project Company Acquisition Consideration by Wuxi Huayu to Wuxi Shanshui, Wuxi Huayu shall procure the transfer of the entire equity interest in the Project Company from Wuxi Shanshui to Wuxi Huayu as soon as possible pursuant to the terms of the Equity Transaction Agreement.

As at the date of the Cooperation Agreement, such 30% of the Project Company Acquisition Consideration has already been settled by Wuxi Huayu and the registration of the transfer of the entire equity interest in the Project Company to Wuxi Huayu has been completed. Upon completion of the registration of the increment of registered capital of

Wuxi Yinzexuan, Wuxi Huayu shall, within five (5) business days, transfer the entire equity interest in the Project Company to Wuxi Yinzexuan and complete the relevant registration procedures.

Payment of the Project Company Acquisition Consideration and the Supplemental Land Fee

Having regard to the terms and conditions of the Equity Transaction Agreement, the Project Company Acquisition Consideration of RMB752,087,000, the Transaction Service Fee of RMB4,708,600 and the Supplemental Land Fee of RMB89,797,000 shall be borne by Wuxi Yinzetao and Wuxi Huayu in the following manners specifically:

(i) RMB72,208,700 (being the earnest money paid by Wuxi Huayu) shall be applied as part of the Project Company Acquisition Consideration;

(ii) RMB158,126,000 (being 30% of the Project Company Acquisition Consideration minus the earnest money of RMB72,208,700 plus the Transaction Service Fee of RMB4,708,600) has been paid by Wuxi Huayu to Wuxi Shanshui on 16 November 2020;

(iii) RMB150,417,400 (being 20% of the Project Company Acquisition Consideration) shall be provided by Wuxi Yinzetao, directly or indirectly through Wuxi Yinzexuan, to the bank account of Wuxi Huayu upon signing of the Cooperation Agreement;

(iv) RMB89,797,000 (being the Supplemental Land Fee) shall be provided by Wuxi Yinzetao in the form of a shareholder's loan, directly or indirectly through Wuxi Yinzexuan, to the Project Company upon relevant government authority issuing the notice of payment; and

(v) RMB376,043,500 (being 50% of the Project Company Acquisition Consideration) shall be paid with the funds of the Project Company and provided to Wuxi Yinzexuan in the form of a loan; and in the event that the funds of the Project Company is insufficient to cover the said payment, the remaining balance shall be provided by Wuxi Yinzetao in the form of an interest-bearing loan, and payable by Wuxi Yinzexuan through the bank account of Wuxi Huayu to Wuxi Shanshui, by 31 May 2021.

Given that Wuxi Yinzetao shall hold majority of the voting rights in Wuxi Yinzexuan pursuant to the Cooperation Agreement, Wuxi Yinzetao shall use its best endeavours to procure the Project Company to obtain sufficient project and land financings from third parties in order to ensure that the Project Company shall settle 50% of the Project Company Acquisition Consideration by 31 May 2021.

The appraised total asset value of the Project Company as at 30 June 2020 was approximately RMB745,757,300, which comprises value of inventories (i.e. the Project Land) and cash and cash equivalents of approximately RMB710,107,600 and RMB35,649,700, respectively. If the Project Land has to be provided by the Project

Company to banks and/or other financial institutions as security for obtaining loans of RMB376,043,500, the loan-to-value ratio will be approximately 53% based on the value of the Project Land as determined by an independent valuer. The Group considers that the collateral to be provided by the Project Company, if required, shall be able to obtain loans of RMB376,043,500 from banks and/or financial institutions to settle the relevant portion of the Project Company Acquisition Consideration.

In the event that the funds made available by the Project Company is insufficient to settle such RMB376,043,500 and Wuxi Yinzetao shall settle the shortfall for and on behalf of the Project Company, such shortfall to be settled by Wuxi Yinzetao shall be provided to the Project Company as an interest-bearing loan with the interest rate being 8% per annum. Such loan amount shall be repaid by the Project Company to Wuxi Yinzetao using its surplus funds. In the event that there is no surplus funds in the Project Company, Wuxi Yinzetao shall bear half of the loan amount (which is equivalent to the percentage of equity interest it indirectly holds in the Project Company) while Wuxi Huayu shall repay the other half of the loan amount (which is equivalent to the percentage of equity interest it indirectly holds in the Project Company) to Wuxi Yinzetao on or before 30 September 2023.

Besides, as the formation of Wuxi Yinzexuan was intended for the acquisition of the Project Company for the Group to develop the Project Land with Wuxi Huayu, the required capital injection of RMB150,000,000 by each of Wuxi Yinzetao and Wuxi Huayu to Wuxi Yinzexuan shall be used for settlement of certain portion of the Project Company Acquisition Consideration and Transaction Service Fee.

The settlement of RMB230,334,700 and RMB150,417,400 were made to Wuxi Shanshui by Wuxi Huayu and Wuxi Yinzetao, respectively, on behalf of Wuxi Yinzexuan. For simplicity purpose, it is agreed among Wuxi Yinzexuan, Wuxi Yinzetao and Wuxi Huayu that upon the Transfer and settlement of RMB150,417,400 to Wuxi Shanshui by Wuxi Yinzetao on behalf of Wuxi Yinzexuan, Wuxi Yinzetao and Wuxi Huayu shall be deemed to have contributed their respective committed registered capital in Wuxi Yinzexuan. Any exceeded portion paid by Wuxi Yinzetao and Wuxi Huayu shall be considered as the provision of shareholder's loan to Wuxi Yinzexuan.

Accordingly, Wuxi Yinzetao and Wuxi Huayu are not required to make further capital injection to Wuxi Yinzexuan in respect of the registered capital of RMB300,000,000 under the relevant laws of the PRC.

Wuxi Yinzetao and Wuxi Huayu further agreed that:

(i) if the funds provided by any Party for the settlement of the Project Company Acquisition Consideration, the Transaction Service Fee and/or the Supplemental Land Fee exceeds the portion which is equivalent to the percentage of equity interest such Party holds in Wuxi Yinzexuan, such excess amount paid shall be considered as an interest-bearing loan provided to the other Party with the interest rate being 8% per annum; and

(ii) any shareholders' loans provided to the Project Company throughout the development of the Project Land shall bear an interest rate of 8% per annum, calculated from the date of provision of such loans.

In light of the above, Wuxi Yinzetao and Wuxi Huayu shall be responsible for settlement of the Project Company Acquisition Consideration, the Transaction Service Fee and the Supplemental Land Fee in accordance with the percentage of equity interest they hold in the Project Company.

The Total Commitment was determined after arm's length negotiations after having taken into account the amount and payment terms of (i) the Project Company Acquisition Consideration of RMB752,087,000 which was determined based on the appraised value of the Tender Subject of approximately RMB722,087,000 as at 30 June 2020 plus the tender premium* (競價溢價) of RMB30,000,000; and (ii) the Supplemental Land Fee of RMB89,797,000 payable to the relevant government authority for adjustment of the floor area ratio of the Project Land from 2.5 to up to 2.7.

The Total Commitment to be borne by Wuxi Yinzetao and Wuxi Yinzexuan will be funded by the internal resources of the Group and the obtaining of project and land financing.

Management and profit distribution

Shareholders' resolutions:	(i)	Wuxi Yinzetao and Wuxi Huayu shall have 51% and 49% of the voting rights, respectively, at the shareholders' meetings of Wuxi Yinzexuan.
	(ii)	Unless otherwise provided by the law, matters to be approved by shareholders of Wuxi Yinzexuan shall be passed by a simple majority.
	(iii)	Shareholder's resolutions of the Project Company shall be passed only if such resolutions are passed by the shareholders of Wuxi Yinzexuan.
	(iv)	The key responsibilities of the shareholder of the Project Company include, among others, formulating business and investment plans, taking charge of changes in the capital structure and approving profit distribution arrangement of the Project Company.
Board composition and management:	(i)	All members of the board of directors of Wuxi Yinzexuan and their respective obligations shall be identical to those of the Project Company.

(ii) Each board of directors of Wuxi Yinzexuan and the Project Company shall consist of five (5) directors, of which three (3) shall be nominated by Wuxi Yinzetao and two (2) shall be nominated by Wuxi Huayu. The chairman of each board of directors of Wuxi Yinzexuan and the Project Company shall be nominated by Wuxi Yinzetao. Pursuant to the Equity Transaction Agreement, Wuxi Shanshui shall be entitled to nominate one (1) director to the Project Company prior to the full settlement of the Project Company Acquisition Consideration. Accordingly, Wuxi Yinzetao shall nominate two (2) directors to the board of the Project Company prior to the full settlement of the Project Company Acquisition Consideration.

(iii) All matters to be approved by each board of directors of Wuxi Yinzexuan and the Project Company shall be passed by a simple majority.

(iv) The key responsibilities of the board of directors of Wuxi Yinzexuan and the Project Company include, among others, convening shareholders' meeting, reporting to shareholders, executing decisions of the shareholders' meetings, formulating business plans, annual budget and undertaking other management tasks.

Supervisors:

(i) All supervisors of Wuxi Yinzexuan and their respective obligations shall be identical to those of the Project Company.

(ii) There shall be two (2) supervisors in each of Wuxi Yinzexuan and the Project Company, of which one (1) shall be nominated by Wuxi Yinzetao and one (1) shall be nominated by Wuxi Huayu.

Senior management:

(i) All general managers of Wuxi Yinzexuan and their respective obligations shall be identical to those of the Project Company.

(ii) There shall be one (1) general manager and one (1) financial director in each of Wuxi Yinzexuan and the Project Company, whom shall be nominated by Wuxi Yinzetao; and one (1) co-general manager and one (1) vice-financial director in each of Wuxi Yinzexuan and the Project Company, whom shall be nominated by Wuxi Huayu.

Profit distribution: Wuxi Yinzetao and Wuxi Huayu shall share the profits of the Project Company in proportion to their respective equity interest in Wuxi Yinzexuan.

Breach of the Cooperation Agreement

If any Party breaches and/or fails to perform its obligations under the Cooperation Agreement, the non-defaulting Party shall have the right to issue a written notice to the defaulting Party. In the event that the defaulting Party fails to perform its obligations and/or undertake remedial measures acceptable to the non-defaulting Party within ten (10) days of the written notice, the non-defaulting Party shall have the right to terminate the Cooperation Agreement. The defaulting Party shall be liable to pay RMB30,000,000 plus any additional damages exceeding RMB30,000,000 to the non-defaulting Party. If the non-defaulting Party elects to terminate the Cooperation Agreement, the defaulting Party shall, within five (5) business days of receiving a written notice of termination from the non-defaulting Party, return all funds provided by the non-defaulting Party plus an interest at an interest rate of 8% per annum calculated from the day of provision of the funds up to the day of return of the funds. The defaulting Party shall also, at the request of the non-defaulting Party, offer to acquire all equity interests, capital and/or loans in Wuxi Yinzexuan owned by the non-defaulting Party.

If any Party fails to provide funds for the settlement of the Project Company Acquisition Consideration and/or the Supplemental Land Fee in the manner as specified in the Cooperation Agreement and the non-defaulting Party has settled the said payment for and on behalf of the defaulting Party, the defaulting Party shall pay to the non-defaulting Party, on a daily basis, an amount equivalent to 0.04% of the said payment. If the relevant outstanding amount is overdue for over thirty (30) days, the defaulting party shall be seen as refusing to continue to cooperate under the Cooperation Agreement and shall pay an amount equivalent to 20% of the Project Company Acquisition Consideration as penalty to the non-defaulting Party.

In the event that Wuxi Huayu and/or the Project Company fails to procure the (i) transfer of the entire equity interest in the Project Company to Wuxi Yinzexuan and/or (ii) registration of Wuxi Yinzexuan as the shareholder of the Project Company in accordance with the agreed timeframe as stipulated in the Cooperation Agreement, Wuxi Huayu shall be liable to pay to Wuxi Yinzetao, on a daily basis, an amount equivalent to 0.04% of the total funds provided by Wuxi Yinzetao at the time of the breach.

If the aforementioned failure to transfer and/or registration has lasted for thirty (30) days by reason of the breach of Wuxi Huayu, Wuxi Huayu shall be seen as refusing to continue to cooperate under the Cooperation Agreement and shall immediately return all funds provided by Wuxi Yinzetao. Wuxi Huayu shall also pay to Wuxi Yinzetao an amount equivalent to 0.04% of the total amount provided by Wuxi Yinzetao, calculated on a daily basis from the day the funds of Wuxi Yinzetao reached the accounts of Wuxi Huayu or the Project Company, or used for the development of the Project Land, up until the day of return of funds from Wuxi Huayu. Wuxi Huayu shall pay an additional amount equivalent to 20% of the Project Company Acquisition Consideration as penalty to Wuxi Yinzetao.

Financial Effect of the Transactions

Upon completion of the Deemed Disposal and the Transfer, both Wuxi Yinzexuan and the Project Company will become non wholly-owned subsidiaries of the Company and the financial results of which shall be consolidated to the Company's consolidated financial statements. As the Deemed Disposal will not result in the Company's loss of control over Wuxi Yinzexuan, the Deemed Disposal will not result in the recognition of any gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income.

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Transactions.

General Information of the Group, the Parties and the Project Company

The Group

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

Wuxi Yinzetao is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Wuxi Yinzetao principally engages in property development.

Wuxi Yinzexuan is a company established on 16 July 2020 under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of the Cooperation Agreement. There has been no material operation since the recent incorporation of Wuxi Yinzexuan. Based on the management accounts of Wuxi Yinzexuan for the period since its establishment until 31 December 2020, Wuxi Yinzexuan recorded a net loss of approximately RMB528 and its net liabilities as at 31 December 2020 was approximately RMB528.

Wuxi Huayu

Wuxi Huayu is a company established under the laws of the PRC with limited liability and principally engages in property development, management and leasing. The ultimate beneficial owners of Wuxi Huayu are Mr. Zhang Linzhong and Ms. Zhang Lihua.

The Project Company

The Project Company is a company established on 17 February 2020 under the laws of the PRC with limited liability and a wholly-owned subsidiary of Wuxi Huayu as at the date of the Cooperation Agreement. The Project Company principally engages in property development.

There has been no material operation since the recent establishment of the Project Company. For the period since its establishment until 31 December 2020, the Project Company recorded a net loss of approximately RMB937,000 and its net asset value as at 31 December 2020 was approximately RMB19,063,000.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Wuxi Huayu and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

Reasons for and Benefits of Entering into the Cooperation Agreement

The Board is of the view that through the arrangement under the Cooperation Agreement, the Group's existing business in developing quality residential properties in the Yangtze River Delta Megalopolis can be enhanced, hence the Group would exert its strength, further enhance its presence and influence in the Yangtze River Delta Megalopolis and bring in more investment return for its Shareholders.

In light of the above and having considered the basis of determining the Total Commitment, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Cooperation Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE TARGET COMPANY ACQUISITION AND THE TRANSACTIONS

Asset and liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix VI to this circular (as if the Target Company Acquisition and the Transactions had been completed on 30 June 2020):

(i) the consolidated total assets of the Group would have increased from approximately RMB37.34 billion to approximately RMB39.08 billion on a pro forma basis;

(ii) the consolidated total liabilities of the Group would have increased from approximately RMB32.45 billion to approximately RMB34.04 billion on a pro forma basis; and

(iii) the consolidated net assets of the Group would have increased from approximately RMB4.89 billion to approximately RMB5.33 billion on a pro forma basis.

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

Earnings

The Company does not expect the Target Company Acquisition and the Transactions to have a significant effect on the earnings of the Group.

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

IMPLICATIONS OF THE LISTING RULES

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

As the transactions contemplated under the Cooperation Agreement involve both the Deemed Disposal and the Transfer, it will be classified by reference to the larger of the two and subject to the reporting, disclosure and/or Shareholders' approval requirements applicable to that classification. As the applicable percentage ratio(s) in relation to the Transfer is more than 25% but less than 100% and the Deemed Disposal is more than 5% but less than 25%, the transactions contemplated under the Cooperation Agreement constitute a major transaction of the Company and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

No Shareholder has a material interest in the Target Company Acquisition and the Transactions and is required to abstain from voting if the Company were to convene a general meeting for approving the Target Company Acquisition and the Transactions. Pursuant to Rule 14.44 of the Listing Rules, the Company had obtained a written approval for the Target Company Acquisition and the Transactions from the Relevant Shareholders as set out below, being a closely allied group of Shareholders which together hold 746,542,411 Shares, representing approximately 51.59% of the issued share capital of the Company as at the Latest Practicable Date, carrying rights to vote at a general meeting of the Company:

Shareholders	**Number of Shares held**	**Approximate percentage of shareholding** *(Note 7)*
Silver Huang Holding Limited *(Note 1)*	517,833,810	35.79%
Silver Vally Holding Limited *(Note 1)*	21,255,724	1.47%
Silver Xie Holding Limited *(Note 2)*	78,085,490	5.40%
Silver Li Holding Limited *(Note 3)*	36,192,609	2.50%
Silver Ma Holding Limited *(Note 4)*	71,919,056	4.97%
Silver Shao Holding Limited *(Note 5)*	10,627,861	0.73%
Silver Wang Holding Limited *(Note 6)*	10,627,861	0.73%
Total:	746,542,411	51.59%

Notes:

1. Each of Silver Huang Holding Limited and Silver Vally Holding Limited is directly wholly-owned by Mr. Huang Qingping, a non-executive Director, the chairman of the Board and a controlling Shareholder.

2. Silver Xie Holding Limited is directly wholly-owned by Mr. Xie Chenguang, a non-executive Director.

3. Silver Li Holding Limited is directly wholly-owned by Mr. Zhu Li, an executive Director.

4. Silver Ma Holding Limited is directly wholly-owned by Mr. Ma Baohua, an executive Director.

5. Silver Shao Holding Limited is directly wholly-owned by Ms. Shao Lei, an executive Director.

6. Silver Wang Holding Limited is directly wholly-owned by Mr. Wang Zheng, an executive Director.

7. The approximate shareholding percentage were calculated based on 1,446,962,138 Shares in issue as at the date of these resolutions.

The relationships among the Relevant Shareholders which constitute "a closely-allied group of Shareholders" under Rule 14.45 of the Listing Rules are, among other things, briefly set out below:

(i) the ultimate beneficial owner of each of the Relevant Shareholders as mentioned above is a Director and all of such Directors have been involved in the management roles overseeing the daily operations of the property development arm of the Yincheng Real Estate Group, which have been separated from the Yincheng Real Estate Group to form the Group for the purpose of the Listing;

(ii) Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li have been shareholders of Yincheng Real Estate for more than 12 years with Mr. Huang Qingping first became a shareholder since 2001. Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li have continued to be shareholders of Yincheng Real Estate after the Reorganisation and the Yincheng Real Estate Group continues to carry on a variety of business operations other than property development in the PRC;

(iii) Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li, being the ultimate beneficial shareholders of the Yincheng Real Estate Group in aggregate holding more than 50% shareholding interests of Yincheng Real Estate, have nominated Mr. Wang Zheng and Ms. Shao Lei to be appointed as Directors so that the six of them continue with their close cooperation in the Group both as Directors and Shareholders through their respective investment vehicles (namely, the respective Relevant Shareholders); and

(iv) since the inception of the Company and as a result of the Reorganisation, Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li, by reason of their ultimate shareholding interest in Yincheng Real Estate, first became interested in the Shares through their respective investment vehicles, namely, Silver Huang Holding Limited, Silver Xie Holding Limited, Silver Ma Holding Limited and Silver Li Holding Limited. Silver Vally Holding Limited (being directly wholly-owned by Mr. Huang Qingping) also became a Shareholder as part of the Reorganisation. In recognition of the contribution of Mr. Wang Zheng and Ms. Shao Lei in the Group, they also became the Shareholders through their respective investment vehicles, namely, Silver Wang Holding Limited and Silver Shao Holding Limited.

On the basis that the Relevant Shareholders form a closely allied group of Shareholders under Rule 14.45 of the Listing Rules, pursuant to Rule 14.44 of the Listing Rules, their written approvals may be accepted in lieu of holding a general meeting for the purpose of approving the Target Company Acquisition and the Transactions and therefore no extraordinary general meeting of the Company will be convened for such purpose.

RECOMMENDATION

The Directors (including the independent non-executive Directors) considered that the Target Company Acquisition and the Transactions are carried out on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. If a general meeting were to be convened for the approval of the Target Company Acquisition and the Transactions, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Target Company Acquisition and the Transactions at such general meeting.

ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Company for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are disclosed in the annual reports of the Company for each of the three years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020, respectively. These annual reports and interim report, together with the relevant notes thereto, are disclosed in the following documents which have been published and are available on the website of the Stock Exchange (http://hkexnews.hk) and the website of the Company (http://yincheng.hk):

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

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

(c) the audited consolidated financial statement of the Group for the year ended 31 December 2019 are set out on pages 147 to 306 of the 2019 annual report of the Company published on 27 April 2020; and

(d) the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 as set out on pages 55 to 114 of the interim report of the Company published on 25 September 2020.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 December 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had (i) outstanding senior notes of approximately RMB2,218.5 million; (ii) bank and other borrowings of approximately RMB11,792 million, comprising secured and guaranteed bank loans and other secured loans of approximately RMB9,734.9 million, and approximately RMB2,057.1 million, respectively; (iii) unsecured and unguaranteed loans of approximately RMB568.5 million; and (iv) current and non-current lease liabilities of approximately RMB3.5 million and RMB4.0 million, respectively.

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

Contingent liabilities

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

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

As at 31 December 2020, the material contingent liabilities incurred for the Group's provision of guarantees to financial institutions in respect of the mortgage loans they provided to the Group's customers were approximately RMB5,323.7 million.

As at 31 December 2020, the material contingent liabilities incurred for the Group's provision of guarantees to banks and other institutions in connection with financial facilities granted to the related companies were approximately RMB2,435 million.

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

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

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has not been any material adverse change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to the Group including the internally generated funds and the present available bank facilities, and taking into account the impact of the Target Company Acquisition and the Transactions, the Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is an established property developer in the PRC focusing on developing quality residential properties in the Yangtze River Delta Megalopolis for customers of all ages. With over 18 years of real estate development experience in the Yangtze River Delta Megalopolis, the Group has always adhered to the development strategy of "based in Nanjing, cultivate the Yangtze River Delta and radiate the urban area". As at 30 June 2020, the business of the Group covered 46 projects in ten cities in the PRC, including Nanjing, Wuxi, Suzhou, Hangzhou, Taizhou, Xuzhou, Wenzhou, Hefei, Zhenjiang and Ma'anshan, and the Group had a land bank with an aggregate estimated gross floor area of over 5.5 million sq.m., out of which the land bank with interests attributable to the Group amounted to approximately 4.3 million sq.m.

Throughout the recent years, the Group has been actively searching for mergers and acquisitions and city-industry integration opportunities in the megalopolis. As stated in the interim report of the Company for the six months ended 30 June 2020 published on 25 September 2020, in terms of land bank, the Group aims to continue its expansion in the Yangtze River Delta Megalopolis. In particular, the Group has recently made its first foray into Wenzhou and Changshu (a county-level city hosted by Suzhou City), which was a further step of its entry into the five regional markets of Nanjing, Southern Jiangsu, Zhejiang, Huaihai and Anhui.

The Group believes that the Target Company Acquisition and the Transactions can help to increase the Group's land reserve and strengthen its presence in Hangzhou, Wuxi and the Yangtze River Delta Megalopolis in general, which is consistent with the Group's expansion strategy and would put the Group in an advantageous position to capture the potential growth of the property market in the region. Furthermore, by increasing the depth of the Group's land bank, it will provide the Group with more options when it follow through with its expansion plan. The Group aims to leverage on its strong reputation and market foundation to take on more small and medium-sized development projects with great development potential and large-scale development projects through the rapid turnaround model. The Target Company Acquisition and the Transactions would therefore not only enhance the Group's strategic strengths and brand advantages in the region, but also bring more fruitful returns to the Shareholders and employees in the long run.

The Group responded proactively to COVID-19 pandemic's impact on the Group's performance during the year of 2019 and 2020 by adjusting its project launch schedule and adopting "cloud property viewing", "cloud sales" and "cloud delivery" through online live broadcasting and small application of the new media. Through such approach, the Group could develop its online customer base and undergo digital transformation at the same time. It is expected that such effort could be transformed into offline purchasing power in the long term.

In light of the current guiding principle of "no speculation of residential properties" in the real estate industry in the PRC, gradual alleviation of the impact of the COVID-19 pandemic, recovery of the domestic economy and increase in demand for property purchase, the Group remains cautiously optimistic about the property sales market for the near future. Nonetheless, the Group is determined to enhance its capabilities in all aspects according to its long-term development strategies, and shall continue to strive with the goal of becoming a leading real estate enterprise and generating more fruitful returns for the Shareholders.

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

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

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

Dear Sirs,

We report on the historical financial information of Hangzhou Qingcheng Property Development Co., Ltd (杭州青城房地產開發有限公司, the "Target Company") set out on pages II-4 to II-41, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2020 (the "Relevant Periods"), and the statements of financial position of the Target Company as at 31 December 2017, 2018 and 2019 and 30 September 2020 and a summary of significant accounting policies and other explanatory information (the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-41 forms an integral part of this report, which has been prepared for inclusion in the circular of Yincheng International Holding Co., Ltd. dated 26 February 2021 (the "Circular") in connection with the acquisition by Hangzhou Zezhou Enterprise Management Co. (杭州澤洲企業管理有限公司), a subsidiary of the Company, of the entire equity interests in the Target Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 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 directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2017, 2018 and 2019 and 30 September 2020 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Target Company which comprises the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the ''Interim Comparative Financial Information''). The directors of the Target Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation and presentation set out in Note 2.1 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 preparation set out in Note 2.1 to the Historical Financial Information.

ADJUSTMENTS

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

DIVIDENDS

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants

Hong Kong
26 February 2021

I HISTORICAL FINANCIAL INFORMATION

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

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

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

Statements of profit or loss and other comprehensive income

		Year ended 31 December			Nine months ended 30 September	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	*5*	200,414	643,264	357,974	278,349	25,374
Cost of sales		(197,112)	(460,137)	(346,636)	(275,014)	(24,259)
GROSS PROFIT		3,302	183,127	11,388	3,335	1,115
Other income and gains	*5*	354	296	234	234	54,118
Selling and distribution expenses		(32,534)	(31,148)	(3,410)	(2,905)	(981)
Administrative expenses		(9,623)	(11,548)	(8,433)	(6,481)	(11,510)
Other expenses	*7*	(1,845)	(294,134)	(18,518)	(18,218)	(13,043)
Finance costs	*8*	(142)	(8,497)	(42,396)	(31,819)	(23,207)
(LOSS)/PROFIT BEFORE TAX		(40,488)	(161,904)	(61,185)	(55,854)	6,492
Income tax expense	*11*	—	(38,489)	(837)	(437)	(1,148)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR/PERIOD		(40,488)	(200,393)	(62,022)	(56,291)	5,344

Statements of financial position

		31 December			30 September
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment		257	154	114	71
Other long term assets		1,071	5,051	5,051	5,051
Total non-current assets		1,328	5,205	5,165	5,122
CURRENT ASSETS					
Properties under development	*13*	799,299	620,323	281,846	281,846
Completed properties held for sale	*14*	116,677	61,151	54,508	30,249
Trade receivables		—	—	—	4,570
Due from related companies	*26*	297,776	47,624	62,025	—
Prepayments, deposits and other receivables	*15*	23,663	15,992	6,154	4,467
Tax recoverable		8,162	7,260	7,260	7,260
Other current assets	*16*	13,086	2,459	628	—
Restricted cash	*17*	99,199	1,727	1,727	108
Cash and cash equivalents	*17*	31,047	805	584	125
Total current assets		1,388,909	757,341	414,732	328,625
CURRENT LIABILITIES					
Trade payables	*18*	258,798	247,101	199,251	196,979
Other payables, deposits received and accruals	*19*	53,252	75,459	155,997	657,652
Due to related companies	*26*	268,983	218,105	239,208	—
Contract liabilities	*20*	813,525	394,865	17,878	800
Interest-bearing other borrowings	*21*	292,021	294,007	335,738	—
Tax payable	*11*	—	29,744	30,582	31,729
Total current liabilities		1,686,579	1,259,281	978,654	887,160
NET CURRENT LIABILITIES		(297,670)	(501,940)	(563,922)	(558,535)
TOTAL ASSETS LESS CURRENT LIABILITIES		(296,342)	(496,735)	(566,757)	(553,413)
NON-CURRENT LIABILITIES					
Total non-current liabilities		—	—	—	—
NET LIABILITIES		(296,342)	(496,735)	(566,757)	(553,413)
EQUITY					
Equity attributable to owners of the parent					
Share capital	*22*	151,515	151,515	151,515	151,515
Reserves	*23*	(447,857)	(648,250)	(710,272)	(704,928)
		(296,342)	(496,735)	(558,757)	(553,413)
TOTAL DEFICITS		(296,342)	(496,735)	(558,757)	(553,413)

Statements of changes in equity

	Issued capital *RMB'000* *(note 22)*	Accumulated losses *RMB'000* *(note 23)*	Total deficits *RMB'000*
As at 1 January 2017	151,515	(407,369)	(255,854)
Loss and other comprehensive expense for the year	—	(40,488)	(40,488)
As at 31 December 2017 and 1 January 2018	151,515	(447,857)	(296,342)
Loss and other comprehensive income for the year	—	(200,393)	(200,393)
As at 31 December 2018 and 1 January 2019	151,515	(648,250)	(496,735)
Loss and other comprehensive expense for the year	—	(62,022)	(62,022)
As at 31 December 2019 and 1 January 2020	151,515	(710,272)	(558,757)
Profit and other comprehensive income for the period	—	5,344	5,344
As at 30 September 2020	151,515	(704,928)	(553,413)

	Issued capital *RMB'000*	Accumulated losses *RMB'000*	Total deficits *RMB'000*
As at 31 December 2018 and 1 January 2019	151,515	(648,250)	(496,735)
Loss and other comprehensive expense for the period (unaudited)	—	(56,291)	(56,291)
As at 30 September 2019 (unaudited)	151,515	(704,541)	(553,026)

Statements of cash flows

		Year ended 31 December			Nine months ended 30 September	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(40,488)	(161,904)	(61,185)	(55,854)	6,492
Adjustments for:						
Depreciation of items of property, plant and equipment	*6*	383	116	40	36	43
Gain on disposal of items of property, plant and equipment	*6*	—	—	(233)	(233)	—
Gain on restructuring of debt		—	—	—	—	(54,117)
Impairment losses recognised	*6*	—	280,527	—	—	817
Impairment losses written off	*6*	(157,408)	(71,020)	(2,671)	(1,202)	(1,029)
Finance costs	*8*	142	8,497	42,396	31,819	23,207
Interest income	*5*	(316)	(211)	(1)	(1)	(1)
		(197,687)	56,005	(21,654)	(25,435)	(24,588)
Decrease in properties for development and for sale		80,338	345,076	347,791	274,814	25,288
(Increase)/decrease in trade receivables		63	—	—	—	(5,387)
Decrease in prepayments, deposits and other receivables		187,745	5,645	9,838	8,160	1,686
Decrease in trade payables		(86,764)	(11,697)	(47,852)	(47,740)	(2,273)
Increase/(decrease) in other payables, deposits received and accruals		91,772	34,534	60,426	86,623	13,603
(Increase)/decrease in restricted cash		(89,721)	97,471	—	—	1,620
(Increase)/decrease in other long term assets		—	(3,979)	—	—	—
(Increase)/decrease in other current assets		(11,121)	10,627	1,831	1,464	628
Increase/(decrease) in contract liabilities		286,837	(427,156)	(377,652)	(325,133)	(17,249)

		Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash generated/(used in) from operations		261,462	106,526	(27,272)	(27,247)	(6,672)
Interest received		316	211	1	1	1
Interest paid		(142)	(26,567)	—	—	—
Tax paid		(8,991)	(7,843)	—	—	—
Net cash flows from/(used in) operating activities		252,645	72,327	(27,271)	(27,246)	(6,671)
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposal of items of property, plant and equipment		—	—	234	234	—
Purchase of items of property, plant and equipment		(33)	(14)	—	—	—
Advance to related companies	*26*	(107,641)	(283,417)	—	—	(14,549)
Recover of advance to related companies	*26*	—	255,069	—	—	—
Net cash flows from/(used in) investing activities		(107,674)	(28,362)	234	234	(14,549)
CASH FLOWS FROM FINANCING ACTIVITIES						
Advance from related companies	*26*	34,566	7,163	14,597	14,597	7,198
Repayment of advance from related companies	*26*	(163,574)	(58,040)	(7,895)	(7,895)	—
Repayment of other interest-bearing borrowings	*21*	(22,583)	(11,000)	—	—	—
Advance from third companies		23,638	—	20,114	20,114	13,563
Repayment of advance from third companies		(5,000)	(12,331)	—	—	—
Net cash flows from/(used in) financing activities		(132,953)	(74,208)	26,816	26,816	20,761

		Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		12,018	(30,242)	(221)	(196)	(459)
Cash and cash equivalents a beginning of year/period		19,029	31,047	805	805	584
CASH AND CASH EQUIVALENT AT END OF YEAR/PERIOD		31,407	805	584	609	125
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*17*	130,246	2,532	2,311	2,335	233
Less: Restricted cash	*17*	99,199	1,727	1,727	1,726	108
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		31,047	805	584	609	125

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Hangzhou Qingcheng Property Development Co., Ltd. (杭州青城房地產開發有限公司, the "Target Company") was established in the People's Republic of China (the "PRC") with limited liability. The registered office of the Target Company is located at Qingshan Minzhu Village, Lin'an Street, Hangzhou, Zhejiang Province

As at 30 September 2020, the Target Company's shareholder was Hangzhou Zezhou Enterprise Management Co. (杭州澤洲企業管理有限公司), which holds 100% equity interests of the Target Company.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2019 and 1 January 2020, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information are presented on a going concern basis.

The Target Company was in a loss-making position in year 2017, 2018 and 2019, with a net current liabilities position of RMB558 million and a net deficits position of RMB553 million as of 30 September 2020. In September 2020, the Target Company was acquired by Yincheng International Holding Co., Ltd. ("Yincheng International"), a Hong Kong listed company. After acquisition, Yincheng International will provide financing to the Target Company to settle the liabilities and to complete the development of the project. According to the cash flow forecast prepared by management of the Target Company, net cash inflow from operating activities will be generated in the next 12 months since 30 September 2020. Therefore, management is of the opinion that it is appropriate to prepare Historical Financial Information on a going concern basis.

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

IFRS 17	Insurance Contracts[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Annual Improvements to IFRS Standards 2018–2020 Cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41[1]
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9[2]
Amendments to IFRS 17	Insurance Contracts[2, 4]
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

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

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Motor and electronic vehicles	22%
Office equipment device	6.28%–19.42%

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

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

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

Properties under development

Properties under development are intended to be held for sale after completion.

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

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development cost

Land costs are allocated to each unit according to its occupied gross floor area ("GFA") to the total occupied GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient, the Target Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for ''Revenue recognition'' below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (''SPPI'') on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Target Company's financial liabilities include trade payables, financial liabilities included in other payables, deposits received and accruals, other liabilities and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

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

Revenue recognition

Revenue from contracts with customers

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

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

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

Sale of properties

Revenue is recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Target Company's performance:

- provides benefits which are received and consumed simultaneously by the purchaser; or

- creates and enhances an asset that the purchaser controls as the Target Company performs; or

- does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Target Company's efforts or inputs to the satisfaction of the performance obligation that best depict the Target Company's performance in satisfying the performance obligation.

In determining the transaction price, the Target Company adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Target Company has the present right to payment and the collection of the consideration is probable.

Revenue recognition

Revenue from other sources

Rental income

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

Interest income

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss and other comprehensive income on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Other employee retirement benefits

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

Borrowing costs

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

Dividends

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Provision of properties under development and completed properties held for sale

The Target Company's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Target Company's historical experience and the nature of the subject properties, the Target Company makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

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 and completed properties held for sale. 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 in the periods in which such estimate is changed will be adjusted accordingly.

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Company's historical credit loss experience and forecast of economic conditions may also not be representative of a customer' actual default in the future.

Impairment of non-financial assets (other than goodwill)

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Target Company is organised as one business unit — property development. Management monitors the operating results of the Target Company's property development business as a whole to make decisions about resource allocation and performance assessment. Accordingly, no separate segment information is prepared.

Geographical information

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of properties during the relevant periods.

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

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Sale of properties	200,414	643,264	357,974	278,349	25,374

Represented by:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Recognised at a point in time					
Revenue from sale of properties	200,414	643,264	357,974	278,349	25,374

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:					
Sale of properties	150,311	463,150	350,908	243,860	16,402

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income and gains					
Gain on restructuring of debt	—	—	—	—	54,117
Gain on disposal of items of property, plant and equipment	—	—	233	233	—
Interest income	316	211	1	1	1
Others	38	85	—	—	—
Total	354	296	234	234	54,118

6. (LOSS)/PROFIT BEFORE TAX

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

		Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of properties sold		197,112	460,137	346,636	275,014	24,259
Impairment of trade receivables	*7*	—	—	—	—	817
Impairment loss of receivables due from related parties	*7*	—	280,527	—	—	—
Written down of completed properties held for sale to net realisable value	*14*	(157,408)	(71,020)	(2,671)	(1,202)	(1,029)
Depreciation of items of property, plant and equipment		383	116	40	36	43
Gain on disposal of items of property, plant and equipment		—	—	233	233	—
Employee benefit expense (including directors' and chief executive's remuneration):						
Wages and salaries		198	249	192	151	135
Pension scheme contributions and social welfare		2,559	3,443	2,561	1,792	3,586

7. OTHER EXPENSES

An analysis of other expenses is as follows:

		Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Compensation for suppliers and customers		1,100	1,616	18,453	18,153	12,226
Bad debt provision		—	280,527	—	—	817
Penalty		255	11,860	—	—	—
Others		490	131	65	65	—
		1,845	294,134	18,518	18,218	13,043

8. FINANCE COSTS

An analysis of finance costs is as follows:

		Year ended 31 December			Nine months ended 30 September	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on other borrowing		37,748	39,554	41,731	31,298	23,037
Interest on pre-sales deposits		8,195	18,213	665	521	170
Less: Interest capitalised		45,801	49,270	—	—	—
		142	8,497	42,396	31,819	23,207

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	246	246	246	185	138
Performance-related bonuses	36	36	36	27	—
Pension scheme contributions and social welfare	—	—	—	—	—
	282	282	282	212	138

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

Year ended 31 December 2017

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Mr. Dai Long	—	—	—	—
— Mr. He Jianliang	—	—	—	—
— Mr. Zhao Chongqing	246	36	—	282
	246	36	—	282

Year ended 31 December 2018

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Mr. Dai Long	—	—	—	—
— Mr. He Jianliang	—	—	—	—
— Mr. Zhao Chongqing	246	36	—	282
	246	36	—	282

Year ended 31 December 2019

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Mr. Dai Long	—	—	—	—
— Mr. He Jianliang	—	—	—	—
— Mr. Zhao Chongqing	185	27	—	212
	185	27	—	212

Nine months ended 30 September 2019 (unaudited)

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Mr. Dai Long	—	—	—	—
— Mr. He Jianliang	—	—	—	—
— Mr. Zhao Chongqing	185	—	—	185
	185	—	—	185

Nine months ended 30 September 2020

	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
— Mr. Dai Long	—	—	—	—
— Mr. He Jianliang	—	—	—	—
— Mr. Zhao Chongqing	138	—	—	138
	138	—	—	138

Mr. Dai Long and Mr. He Jianliang, a board members of Hangzhou Qingcheng Real Estate Development Co., Ltd. never received any remuneration from the Target Company during the years ended 31 December 2017, 2018 and 2019 and for the nine months ended 30 September 2019 and 2020, respectively.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 all included 1 director of the Target Company. Details of the remuneration for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 of the highest paid employees of the Target Company are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	1,075	1,075	1,180	887	754
Performance-related bonuses	158	158	150	112	—
Pension scheme contributions and social welfare	68	68	70	50	124
Total	1,301	1,301	1,400	1,049	878

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

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
				(unaudited)	
Nil to RMB200,000	1	1	—	3	3
RMB200,000 to RMB400,000	3	3	4	1	1
Total	4	4	4	4	4

11. INCOME TAX

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

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Target Company has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax:					
PRC corporate income tax	—	—	—	—	—
PRC LAT	—	38,489	837	437	1,148
Deferred tax	—	—	—	—	—
Total tax charge for the year/period	—	38,489	837	437	1,148

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

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit before tax	(40,488)	(161,904)	(61,185)	(55,854)	6,492
At the statutory income tax rate	(10,122)	(40,476)	(15,296)	(13,964)	1,623
Expenses not deductible for tax	64	3,472	—	—	—
Tax losses utilised from previous periods	—	(27,301)	—	—	(1,603)
Deductible temporary differences not recognised	4,609	73,927	379	283	267
Provision for LAT	—	38,489	837	437	1,148
Tax effect on LAT	—	(9,622)	(209)	(109)	(287)
Tax losses not recognised	5,449	—	15,126	13,790	—
Tax charge at the Target Company's effective rate	—	38,489	837	437	1,148

Tax payable in the statement of financial position represents:

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC LAT payable	—	29,744	30,582	31,729

12. DIVIDENDS

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

13. PROPERTIES UNDER DEVELOPMENT

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	727,302	799,299	620,323	281,846
Additions	311,929	225,635	1,516	—
Transferred to completed properties held for sale *(note 14)*	(461,296)	(404,611)	(339,993)	—
Impairment losses transferred to completed properties held for sale *(note 14)*	221,364	—	—	—
At the end of the year/period	799,299	620,323	281,846	281,846

The Target Company's properties under development are situated on leasehold lands in Mainland China.

Certain of the Target Company's properties under development with aggregate carrying amounts of approximately RMB434,566,000, RMB126,645,000 and RMB126,645,000 and RMB126,645,000 as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively, have been pledged to secure other borrowings granted to the Target Company (note 21).

The movements in provision for impairment of properties under development are as follows:

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	221,364	—	—	—
Impairment losses transferred to completed properties held for sale *(note 14)*	(221,364)	—	—	—
At the end of the year/period	—	—	—	—

The value of properties under development was assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds its net realisable value. The net realisable value is determined by the Target Company with reference to the prevailing market conditions and existing prices, less applicable variable selling expenses and anticipated costs at completion, at the end of each reporting period.

14. COMPLETED PROPERTIES HELD FOR SALE

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	73,857	116,677	61,151	54,508
Transferred from properties under development *(note 13)*	461,296	404,611	339,993	—
Transferred to cost of sales	(354,520)	(531,157)	(349,307)	(25,288)
Impairment losses transferred from properties under development *(note 13)*	(221,364)	—	—	—
Impairment losses written off *(note 6)*	157,408	71,020	2,671	1,029
At the end of the year/period	116,677	61,151	54,508	30,249

Certain of the Target Company's completed properties held for sale with aggregate carrying amounts of approximately RMB95,764,000, RMB49,304,000, RMB35,739,000 and Nil as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively, have been pledged to secure other borrowings granted to the Target Company (note 21). As of 30 September 2020, the legal title for one unit of completed house (with book value of RMB1,538,029) to the Target Company is in the process.

The movements in provision for impairment of completed properties held for sale are as follows:

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	20,005	83,961	12,941	10,270
Transferred from properties under development *(note 13)*	221,364	—	—	—
Written off *(note 6)*	(157,408)	(71,020)	(2,671)	(1,029)
At the end of the year/period	83,961	12,941	10,270	9,241

The value of completed properties held for sale is assessed at the end of each of the Relevant Periods. An impairment exists when the carrying value exceeds its net realisable value, which is the higher of its fair value less costs of disposal. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other tax recoverable	8,962	3,260	—	—
Advance to staffs	3,279	2,629	—	—
Due from third parties *(note 26)*	8,351	6,499	4,856	3,406
Other receivables *(note 26)*	3,071	3,604	1,298	1,061
	23,663	15,992	6,154	4,467

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

16. OTHER CURRENT ASSETS

Other current assets are initially recognised for commission to the sales agents when the agreement for sale and purchase is signed with a property buyer, if recoverable. The amounts recognised as other current assets are amortised on a systematic basis which is consistent with the transfer of the related property to the customer.

The expected timing of recovery or settlement for other current assets as at 31 December 2017, 2018 and 2019 and 30 September 2020 is as follows:

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	12,273	1,831	628	—
After one year	813	628	—	—
	13,086	2,459	628	—

17. CASH AND CASH EQUIVALENTS

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	130,246	2,532	2,311	233
Less: Restricted cash	99,199	1,727	1,727	108
	31,047	805	584	125
Cash and cash equivalents	31,047	805	584	125

Pursuant to relevant regulations in the PRC, the Target Company is required to place certain amounts of cash in the designated bank accounts for a specified use. As at 31 December 2017, 2018 and 2019 and 30 September 2020, such restricted cash amounted to RMB99,199,000, RMB1,727,000, RMB1,727,000 and RMB108,000, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

18. TRADE PAYABLES

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

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	207,038	168,061	43,003	17,050
Over 1 year	51,760	79,040	156,248	179,929
	258,798	247,101	199,251	196,979

The trade payables are interest-free and normally settled based on the progress of construction.

19. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits related to construction	22,926	16,190	34,331	46,004
Tax payable	18,160	28,378	35,323	36,035
Payroll and welfare payable	1,413	1,447	1,629	3,138
Advances from third parties *(note 26)*	—	11,553	33,078	506,511
Accrued liabilities	10,124	17,812	45,847	65,964
Others	629	79	5,789	—
	53,252	75,459	155,997	657,652

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

20. CONTRACT LIABILITIES

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	813,525	394,865	17,878	800

The Target Company receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property development and sales. According to the business model of the Target Company, for revenue recognised from the sale of properties, all such revenue are carried forward from contract liabilities during the Relevant Periods.

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

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	504,834	382,490	17,878	800
More than one year	308,691	12,375	—	—
	813,525	394,865	17,878	800

21. INTEREST-BEARING OTHER BORROWINGS

	31 December 2017		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Other loans — secured	8.50	Within 1 year	292,021

	31 December 2018		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Other loans — secured	8.50/12	Within 1 year	294,007

	31 December 2019		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Other loans — secured	12	on demand	335,738

	30 September 2020		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Other loans — secured	—	—	—

Other borrowings

	31 December			30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Repayable within one year or on demand	292,021	294,007	335,738	—

The Target Company's borrowings are all denominated in RMB with fixed interest rates.

Certain of the Target Company's other loans are secured by the Target Company's properties under development and completed properties held for sale. Details were shown in note 13 and 14.

The fair values of interest-bearing other borrowings are based on the discounted cash flow approach using the prevailing market rates of interest available to the Target Company for financial instruments with substantially the same terms and characteristics at the end of each of the Relevant Periods. The fair values of these borrowings were showed in note 27.

Note: The required interest rate for the borrowing was changed from 8.5% per annum to 12% per annum since August 2018.

22. SHARE CAPITAL

	RMB'000
Issued and fully paid:	
As at 31 December 2017, 2018 and 2019 and 30 September 2020	151,515

23. RESERVES

The amounts of the Target Company's reserves and the movements therein for the years ended 31 December 2017, 2018 and 2019, and the nine months ended 30 September 2020 are presented in the statements of changes in equity.

24. NOTE TO THE STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing other borrowings *RMB'000*	**Due to related companies** *RMB'000*	**Total liabilities from financing activities** *RMB'000*
At 1 January 2017	276,857	421,535	698,392
Cash flows from financing activities	(22,583)	(129,008)	(151,591)
Cash flows from non-financing activities	37,747	(23,544)	14,203
At 31 December 2017	292,021	268,983	561,004
Cash flows from financing activities	(11,000)	(50,878)	(61,878)
Cash flows from non-financing activities	12,986	—	12,986
At 31 December 2018	294,007	218,105	512,112
Cash flows from financing activities	—	6,702	6,702
Cash flows from non-financing activities	41,731	14,401	56,132
At 31 December 2019	335,738	239,208	574,946
Cash flows from financing activities	—	7,198	7,198
Cash flows from non-financing activities	(335,738)	(246,406)	(582,144)
At 30 September 2020	—	—	—

25. CONTINGENT LIABILITIES

At the end of the relevant periods, contingent liabilities not provided for in the financial statements were as follows:

		31 December			30 September
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to purchasers of the Target Company's properties	*(1)*	813,525	394,865	17,878	800

(1) The Target Company provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Target Company's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Target Company is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Target Company's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Target Company did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Target Company's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

26. RELATED PARTY TRANSACTIONS

(1) Name and relationship

杭州澤洲企業管理有限公司	The Parent Company
頤和地產集團有限公司 ("頤和""Yihe")	The Then Co-investor
浙江華虹控股集團有限公司 ("華虹""Huahong")	The Then Co-investor
廣州頤和酒店物業管理有限公司	Company controlled by the then Co-investor "Yihe"
浙江頤興置業有限公司	Company controlled by the then Co-investor "Yihe"
寧夏頤和金鳳房地產開發有限公司	Company controlled by the then Co-investor "Yihe"
上海頤和觀海房地產有限公司	Company controlled by the then Co-investor "Yihe"
廣州頤和發展集團有限公司	Company controlled by the then Co-investor "Yihe"
廣州鴻升投資有限公司	Company controlled by the then Co-investor "Yihe"
臨安頤軒盛世文化創意有限公司	Company controlled by the then Co-investor "Yihe"
臨安天瓏貿易有限公司	Company controlled by the then Co-investor "Yihe"
臨安市觀海綠化工程有限公司	Company controlled by the then Co-investor "Yihe"
浙江正合控股集團有限公司	Company controlled by the then Co-investor "Huahong"
趙崇清	The Then Shareholder of the Target Company

(2) Significant related party transactions

The following transactions were carried out with related parties during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advances from related parties	34,566	7,163	14,597	14,597	7,198
Repayment of advances from related parties	163,574	58,040	7,895	7,895	—
Advances to related parties	107,641	283,417	—	—	14,549
Recover of advances to related parties	—	255,069	—	—	—

Guarantee provided for other borrowings by a related company:

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
頤和地產集團有限公司	292,021	294,007	335,738	325,305	304,657

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(3) Outstanding balances with related parties

	31 December			30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties:				
Non-trade related	297,776	47,624	62,025	—
Due to related parties:				
Non-trade related	268,983	218,105	239,208	—

Balances with the above related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

(4) Compensation of key management personnel of the Target Company

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short term employee benefits	564	696	857	643	496
Pension scheme contributions and social welfare	19	19	19	14	13
Total compensation paid to key management personnel	583	715	876	657	509

Further details of directors' emoluments are included in note 9 to the financial statements.

27. FINANCIAL INSTRUMENTS BY CATEGORY

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

30 September 2020

Financial assets

	Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments, deposits and other receivables *(note 15)*	4,467
Trade receivables	4,570
Restricted cash *(note 17)*	108
Cash and cash equivalents *(note 17)*	125
	9,270

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables *(note 18)*	196,979
Financial liabilities included in other payables, deposits received and accruals *(note 19)*	618,479
	815,458

31 December 2019

Financial assets

	Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments, deposits and other receivables *(note 15)*	6,154
Due from related companies *(note 26)*	62,025
Restricted cash *(note 17)*	1,727
Cash and cash equivalents *(note 17)*	584
	70,490

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables *(note 18)*	199,251
Financial liabilities included in other payables, deposits received and accruals *(note 19)*	113,256
Due to related companies *(note 26)*	239,208
Interest-bearing other borrowings *(note 21)*	335,738
	887,453

31 December 2018

Financial assets

	Financial assets at amortised cost
	RMB'000
Financial assets included in prepayments, deposits and other receivables *(note 15)*	10,103
Due from related companies *(note 26)*	47,624
Restricted cash *(note 17)*	1,727
Cash and cash equivalents *(note 17)*	805
	60,259

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables *(note 18)*	247,101
Financial liabilities included in other payables, deposits received and accruals *(note 19)*	45,555
Due to related companies *(note 26)*	218,105
Interest-bearing other borrowings *(note 21)*	294,007
	804,768

31 December 2017

Financial assets

	Financial assets at amortised cost
	RMB'000
Financial assets included in prepayments, deposits and other receivables *(note 15)*	11,422
Due from related companies *(note 26)*	297,776
Restricted cash *(note 17)*	99,199
Cash and cash equivalents *(note 17)*	31,047
	439,444

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables *(note 18)*	258,798
Financial liabilities included in other payables, deposits received and accruals *(note 19)*	33,050
Due to related companies *(note 26)*	268,983
Interest-bearing other borrowings *(note 21)*	292,021
	852,852

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments mainly include cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, deposits received and accruals which arise directly from its operations. The Target Company has other financial assets and liabilities such as interest-bearing other borrowings, balance due from related parties and balances due to related parties. The main purpose of these financial instruments is to raise finance for the Target Company's operations.

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

(a) Interest rate risk

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

(b) Credit risk

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

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

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

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

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

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

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

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

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

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

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

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables, and amounts due from related parties as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Target Company has classified financial assets included in prepayments, deposits and other receivables, and amounts due from related parties in stage 1 and continuously monitors their credit risk. The Target Company assessed the expected credit loss rate of minimal, considering the default probability and recovery probability, to estimate the impairment of financial assets included in prepayments, deposits and other receivables. The directors of the Target Company believe that there is no material credit risk inherent in the Target Company's outstanding balance of financial assets included in prepayments, other receivables and adequate provisions were recognised following the assessment. Certain amounts advanced to related companies in year 2018 was assessed as credit-impaired by management, and full loss provision was made to write down those receivables.

(c) Liquidity risk

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

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

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 September 2020					
Trade payables	196,979	—	—	—	196,979
Other payables	618,479	—	—	—	618,479
	815,458	—	—	—	815,458
31 December 2019					
Interest-bearing other borrowings	335,738	—	—	—	335,738
Trade payables	199,251	—	—	—	199,251
Due to related companies	239,208	—	—	—	239,208
Other payables	113,256	—	—	—	113,256
	887,453	—	—	—	887,453
31 December 2018					
Interest-bearing other borrowings	294,007	—	—	—	294,007
Trade payables	247,101	—	—	—	247,101
Due from related companies	218,105	—	—	—	218,105
Other payables	45,555	—	—	—	45,555
	804,768	—	—	—	804,768
31 December 2017					
Interest-bearing other borrowings	292,021	—	—	—	292,021
Due to related companies	268,983	—	—	—	268,983
Trade payables	258,798	—	—	—	258,798
Other payables	33,050	—	—	—	33,050
	852,852	—	—	—	852,852

(d) Capital management

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

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

	31 December			30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing other borrowings	292,021	294,007	335,738	—
Trade payables	258,798	247,101	199,251	196,979
Other payables, deposits received and accruals	53,252	75,459	155,997	657,652
Due to related companies	268,983	218,105	239,208	—
Other liabilities	813,525	424,609	48,460	32,529
Less: Cash and cash equivalents	(31,047)	(805)	(584)	(125)
Net debt	1,655,532	1,258,476	978,070	887,035
Equity	(296,342)	(496,735)	(561,457)	(553,413)
Gearing ratio	N/A	N/A	N/A	N/A

30. SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Target Company after 30 September 2020.

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

EY安永

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

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

Dear Sirs,

We report on the historical financial information of Wuxi Xuelang Changguang Property Development Co., Ltd. (無錫雪浪長廣置業有限公司, the ''Target Company'') set out on pages III-4 to III-24, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the period from 17 February 2020 (the date of establishment) to 31 December 2020 (the ''Relevant Period''), and the statements of financial position of the Target Company as at 31 December 2020 and a summary of significant accounting policies and other explanatory information (the ''Historical Financial Information''). The Historical Financial Information set out on pages III-4 to III-24 forms an integral part of this report, which has been prepared for inclusion in the circular of Yincheng International Holding Co., Ltd. dated 26 February 2021 (the ''Circular'') in connection with the acquisition by Wuxi Yinzexuan Enterprise Management Co., Ltd. (無錫銀澤渲企業管理有限公司), a subsidiary of the Company, of 100% of the entire equity interests in the Target Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 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 directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2020 and of the financial performance and cash flows of the Target Company for the Relevant Period in accordance with the basis of presentation and the basis of preparation set out in note 2.1 to the Historical Financial Information, respectively.

ADJUSTMENTS

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

DIVIDENDS

We refer to note 7 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Period.

Yours faithfully,
Ernst & Young
Certified Public Accountants

Hong Kong
26 February 2021

I HISTORICAL FINANCIAL INFORMATION

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

The financial statements of the Target Company for the Relevant Period, 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

		From 17 February 2020 (the date of establishment) to 31 December 2020
	Notes	*RMB'000*
Other income and gains		30
Administrative expenses	*5*	(333)
Finance costs	*6*	(634)
LOSS BEFORE TAX		(937)
Income tax expense		—
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(937)

Statements of financial position

	Notes	**31 December 2020** *RMB'000*
Total non-current assets		—
CURRENT ASSETS		
Properties under development	*8*	730,953
Prepayments, other receivables and other assets		12
Cash and cash equivalents	*9*	11,964
Total current assets		742,929
CURRENT LIABILITIES		
Other payables, deposits received and accruals	*10*	22,034
Due to related company	*14*	701,832
Total current liabilities		723,866
NET CURRENT ASSETS		19,063
TOTAL ASSETS LESS CURRENT LIABILITIES		19,063
NON-CURRENT LIABILITIES		
Total non-current liabilities		—
NET ASSETS		19,063
EQUITY		
Share capital	*11*	20,000
Reserves	*12*	(937)
TOTAL EQUITY		19,063

Statements of changes in equity

	Issued capital *RMB'000* *(note 11)*	Accumulated losses *RMB'000*	Total equity *RMB'000*
As at 17 February 2020	—	—	—
Share Capital	20,000	—	20,000
Loss and other comprehensive expense for the period	—	(937)	(937)
As at 31 December 2020	20,000	(937)	19,063

Statements of cash flows

	Notes	From 17 February 2020 (the date of establishment) to 31 December 2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(937)
Adjustments for:		
Interest income		(30)
Finance costs		634
(Increase) in properties under development		(707,721)
(Increase) in prepayments, deposits and other receivables		(12)
Cash used in operations		(708,066)
Interest received		30
Net cash flows used in operating activities		(708,036)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment from shareholders	*11*	20,000
Advance from related company		700,000
Net cash flows from financing activities		720,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,964
CASH AND CASH EQUIVALENTS AT END OF YEAR		11,964
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	*7*	11,964
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS		11,964

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Wuxi Xuelang Changguang Property Development Co., Ltd. (無錫雪浪長廣置業有限公司) was established in the People's Republic of China (the "PRC") with limited liability. The registered office of the Target Company is located at 16#1107, Science and Education Pioneer Park, 100 Jinxi Road, Binghu District, Wuxi City, Jiangsu Province.

As at 31 December 2020, the Target Company's holding company is Wuxi Yinzexuan Enterprise Management Co., Ltd. (無錫銀澤渲企業管理有限公司), a subsidiary of the Company, which holds 100% equity interests of the Target Company.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Target Company has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Target Company.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Target Company has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Target Company.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (‘‘RFR’’). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Target Company as the Target Company does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. During the year ended 31 December 2020, certain monthly lease payments for the leases of the Target Company's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Target Company has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Target Company.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the historical financial information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to The Target Company is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Target Company expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, The Target Company will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of the historical financial information to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Target Company had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate (''LIBOR'') as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, The Target Company will apply this practical expedient upon the modification of these borrowings when the ''economically equivalent'' criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on The Target Company's the historical financial information.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the historical financial information in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on The Target Company's the historical financial information.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on The Target Company's the historical financial information.

Annual Improvements to IFRSs 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to The Target Company are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on The Target Company's historical financial information.

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Target Companies 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 the Relevant 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 (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

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

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

or

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

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

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

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

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

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient, the Target Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Target Company's financial liabilities include financial liabilities included in other payables, deposits received and accruals and interest-bearing other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

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

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of 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 assumption concerning the future and other key sources of estimation uncertainty at the end of the Relevant 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 disclosed below:

Impairment of non-financial assets (other than goodwill)

The Target Company assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the Relevant Period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

No revenue was generated from the Target Company in the Relevant Period.

5. ADMINISTRATIVE EXPENSES

An analysis of administrative expenses is as follows:

	From 17 February 2020 (the date of establishment) to 31 December 2020 *RMB'000*
Stamp duty	332
Others	1
	333

6. FINANCE COSTS

An analysis of finance costs is as follows:

	From 17 February 2020 (the date of establishment) to 31 December 2020 *RMB'000*
Interest on other borrowing	47,152
Less: Interest capitalised	46,518
	634

7. DIVIDENDS

No dividends have been paid or declared by the Target Company for the Relevant Period.

8. PROPERTIES UNDER DEVELOPMENT

	31 December 2020 *RMB'000*
Carrying amount at 1 January	—
Additions	730,953
Carrying amount at 31 December	730,953

The Target Company's properties under development are situated on leasehold lands in Mainland China.None of the Target Company's properties under development as at 31 December 2020 have been pledged to secure other borrowings granted to the Target Company's.

9. CASH AND CASH EQUIVALENTS

	31 December 2020 *RMB'000*
Cash and bank balances	11,964
Cash and cash equivalents	11,964

At 31 December 2020, all the cash and bank balances of the Target Company were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

10. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	31 December 2020 *RMB'000*
Interest payable *(note 15)*	22,034

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

11. SHARE CAPITAL

	RMB'000
Issued and fully paid:	
As at 31 December 2020	20,000

12. RESERVES

The amounts of the Target Company's reserves and the movements therein for the Relevant Period are presented in the statements of changes in equity.

13. NOTE TO THE STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Due to related company
	RMB'000
At 17 February 2020	—
Cash flows from financing activities	700,000
At 31 December 2020	700,000

14. RELATED PARTY TRANSACTIONS

(1) Name and relationship

無錫山水慧谷城鎮建設發展有限公司（"山水慧谷"） (Wuxi Shanshui Huigu City Development Co., Ltd.)	The Then Parent Company from 17 February 2020 to 21 December 2020
無錫華宇置業有限公司（"無錫華宇"） (Wuxi Huayu Property Development Co., Ltd.)	The Then Parent Company from 21 December 2020 to 25 December 2020
無錫銀澤渲企業管理有限公司（"無錫銀澤渲"） (Wuxi Yin Ze Xuan Corporate Management Co., Ltd.)	The Parent Company from 25 December 2020 to 31 December 2020

(2) Significant related party transactions

The following transactions were carried out with related parties during the Relevant Period:

	From 17 February 2020 (the date of establishment) to 31 December 2020
	RMB'000
Advances from related companies:	
Wuxi Shanshui Huigu City Development Co., Ltd.	700,000

(3) Outstanding balances with related parties

	31 December 2020 *RMB'000*
Balances relating to non-operating activities:	
Due to related parties:	
Wuxi Yin Ze Xuan Corporate Management Co., Ltd. *(note)*	701,832

Note: The balance of RMB700,000,000 with Wuxi Shanshui Huigu City Development Co., Ltd. has been transferred to Wuxi Yin Ze Xuan Corporate Management Co., Ltd. according to property transaction contract and cooperation agreement. Balances with the above related party were unsecured and interest-bearing. The effective interest rate was 6.8%.

15. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2020

Financial assets

	Financial assets at amortised cost *RMB'000*
Cash and cash equivalents *(note 9)*	11,964

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables, deposits received and accruals *(note 10)*	22,034
Due to related company *(note 14)*	701,832
	723,866

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments mainly include cash and bank balances, financial liabilities included in other payables, deposits received and accruals. The Target Company has other financial assets and liabilities such as interest-bearing other borrowings. The main purpose of these financial instruments is to raise finance for the Target Company's operations.

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

(a) Interest rate risk

The Target Company's exposure to risk for changes in market interest rates relates primarily to the Target Company's interest-bearing other borrowings set out in note 11. The Target Company does not use derivative financial instruments to hedge interest rate risk, and obtains all other borrowings with a fixed rate.

(b) Credit risk

The carrying amounts of cash and cash equivalents included in the statements of financial position represent the Target Company's maximum exposure to credit risk in relation to its financial assets as the end of the Relevant Period.

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

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

(c) Liquidity risk

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

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

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020					
Due to related company	—	—	701,832	—	701,832
Other payables	—	—	22,034	—	22,034
	—	—	723,866	—	723,866

(d) Capital management

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

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Target Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Target Company includes, within net debt, interest-bearing other borrowings, other payables, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the Relevant Period is as follows:

	31 December 2020
	RMB'000
Due to related company	701,832
Other payables, deposits received and accruals	22,034
Less: Cash and cash equivalents	(11,964)
Net debt	711,902
Equity	19,063
Capital and net debt	730,965
Gearing ratio	97%

18. SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Target Company after 31 December 2020.

Set out below is the management discussion and analysis of the Target Company for the three financial years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020. The discussion and analysis relate to the results and financial position of the Target Company. You should read the discussion and analysis together with the respective financial information of the Target Company as of and for each of the three years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2020 and the accompanying notes thereto, which is set forth in the Target Company Accountants' Report in Appendix II to this circular. The Target Company Accountants' Report has been prepared in accordance with IFRS on such basis as is set forth in Note 2.1 to the financial information in the Target Company Accountants' Report.

1. BUSINESS REVIEW

The Target Company is a company established in the PRC with limited liability which was principally engaged in property development and property management. The Target Company owns the land use rights of the land parcel situated at Qingshan Minzhu Village, Lin'an District, Hangzhou City, Zhejiang* (浙江省杭州市臨安區青山民主村) in the PRC with a site area of approximately 805,871.7 sq. m. A total of approximately 526,334.53 sq.m. of the Target Land have been developed by Yihe Real Estate and the Huahong Parties separately with residential properties, car parking spaces and common areas within the community such as clubhouses built thereon, while the remaining area of the Target Land remains undeveloped.

Since 30 June 2019, all construction works for development of the Target Land had suspended and the Target Company had ceased its business operations and no longer engaged in any property development and management activity due to the lack of funds. Except for clearance of several remaining property units that were completed before suspension of the construction work on the Target Land, no further sales activities had occurred since then.

It is the intention of the Group to acquire the Target Company with the sole commercial purpose to develop the undeveloped area of the Target Land into a residential and commercial complex.

2. REVIEW OF FINANCIAL RESULTS

Revenue

During the Target Company's Reporting Period, the Target Company had one reportable business segment, which was property development. Revenue of the Target Company is mainly generated from the sale of properties. Revenue increased by approximately 221.0% from approximately RMB200.4 million in 2017 to approximately RMB643.3 million in 2018, primarily due to delivery of properties to customers, and decreased by approximately 44.3% from approximately RMB643.3 million in 2018 to approximately RMB358.0 million in 2019, primarily due to less properties being delivered to customers as compared to 2018. For the nine months ended 30 September 2020 in comparison to the corresponding period in 2019, revenue decreased by approximately 90.9% from approximately RMB278.3 million to approximately RMB25.4 million, primarily due to less properties being delivered to customers as compared to the corresponding period in 2019.

Cost of sales

The cost of sales mainly consisted of cost of property sales directly associated with the revenue from the sale of properties, which represented direct construction costs, land acquisition costs and capitalised borrowing costs on related borrowings for the purpose of property development during the period of construction. It increased from approximately RMB197.1 million in 2017 to approximately RMB460.1 million in 2018, primarily due to the delivery of a large batch of properties which have high margin in 2018, and decreased to approximately RMB346.6 million in 2019, primarily due to a decrease in the number of properties delivered in 2019 where the margin is lower as compared to those in 2018. The costs of sales for the nine months ended 30 September 2020 of approximately RMB24.3 million, being lower than that of approximately RMB275.0 million in the corresponding period in 2019 was primarily due to most of the properties delivered have been recognised during the nine months ended 30 September 2019, leading to there being only sporadic delivery of properties during the corresponding period in 2020.

Gross profit

As a result of the foregoing, gross profit increased from approximately RMB3.3 million in 2017 to approximately RMB183.1 million in 2018, and decreased to approximately RMB11.4 million in 2019. For the nine months ended 30 September 2020 in comparison to the corresponding period in 2019, gross profit decreased from approximately RMB3.3 million to approximately RMB1.1 million.

Other income and gains

Other income and gains decreased from approximately RMB354,000 in 2017 to approximately RMB296,000 in 2018 primarily due to a decrease in interest income, and decreased to approximately RMB234,000 in 2019, primarily due to a decrease in interest income. For the nine months ended 30 September 2020 in comparison to the corresponding period in 2019, other income and gains increased from approximately RMB234,000 to approximately RMB54.1 million, primary due to primarily due to there being gain on the restructuring of debt.

Selling and distribution expenses

Selling and distribution expenses consisted primarily of salaries of sales staff and other advertising and general publicity expenses. It decreased from approximately RMB32.5 million in 2017 to approximately RMB31.1 million in 2018 primarily due to less advertising and general publicity expenses incurred as most of such expenses had been incurred prior to the opening for sale of properties in 2017, and decreased to approximately RMB3.4 million in 2019, primarily due to a decrease in the number of properties being available for sale, hence less sales staff was involved and less advertising and general publicity expenses were incurred. For the nine months ended 30 September 2020 in comparison to the corresponding period in 2019, selling and distribution expenses decreased from approximately RMB2.9 million to approximately RMB1.0 million, primarily due to a decrease in the number of properties being available for sale, hence less sales staff was involved and less advertising and general publicity expenses were incurred.

Administrative expenses

Administrative expenses consisted primarily of staff costs, travel and entertainment expenses, professional fees, office expenses, other taxes and surcharges, depreciation and amortisation and others. It increased from approximately RMB9.6 million in 2017 to approximately RMB11.5 million in 2018 primarily due to an issuance of bonus to staff in view of the batch delivery of properties to customers and the gratifying performance of staff, and decreased to approximately RMB8.4 million in 2019, primarily due to a decrease in the travel expenses and there being no bonus issued to staff. For the nine months ended 30 September 2020 in comparison to the corresponding period in 2019, administrative expenses increased from approximately RMB6.5 million to approximately RMB11.5 million, primarily due to there being dismissal expenses of approximately RMB1.4 million for dismissal of staff.

Other expenses

Other expenses consisted primarily of compensation for liquidated damages, loss of bad debt and penalty. It increased from approximately RMB1.8 million in 2017 to approximately RMB294.1 million in 2018 primarily due to there being a loss of bad debt provision of approximately RMB280.5 million and a penalty of approximately RMB11.9 million for compensation for work stoppage, and decreased to approximately RMB18.5 million in 2019 primarily due to there being no bad debt provision and penalty effect during the year. For the nine months ended 30 September 2020 in comparison to the corresponding period in 2019, other expenses decreased from approximately RMB18.2 million to approximately RMB13.0 million primarily due to a decrease in compensation for suppliers and customers of approximately RMB5.9 million.

Finance costs

Finance costs consisted primarily of interest on other borrowing and interest on pre-sales deposits. It increased from approximately RMB0.1 million in 2017 to approximately RMB8.5 million in 2018 primarily due to an increase in the interest on pre-sales deposits of approximately RMB10.0 million, and increased to approximately RMB42.4 million in 2019 primarily due to an increase in the interest on other borrowing of approximately RMB2.2 million and a decrease in the interest on pre-sales deposits of approximately RMB17.5 million. For the nine months ended 30 September 2020 in comparison to the corresponding period in 2019, finance costs decreased from approximately RMB31.8 million to approximately RMB23.2 million primarily due to a decrease in the interest on other borrowing of approximately RMB8.3 million.

(Loss)/Profit before tax

Due to the reasons discussed above, the Target Company incurred loss before tax for each of the three years ended 31 December 2017, 2018 and 2019, while it recorded a profit before tax for the nine months ended 30 September 2020.

Income tax expense

Income tax expense reflected the income tax paid and payable by the Target Company for the relevant year/period and the applicable income tax rate in the PRC was 25% for each year/period during the Reporting Period. During the Reporting Period, the Target Company incurred income tax expense of approximately nil, RMB38.5 million, RMB0.8 million and RMB1.1 million, respectively.

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

As a result of the foregoing, the Target Company had loss and total comprehensive expense for each of the years ended 31 December 2017, 2018 and 2019, while it recorded profit and total comprehensive income for the nine months ended 30 September 2020.

3. LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Target Company adopts a prudent funding and treasure policy. During the Reporting Period, the Target Company funded its business operations mainly through cash generated from its operations and through external financing primarily consisted of bank borrowings.

The Target Company's primary uses of cash are for payment of construction costs.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the Target Company had cash and bank balances of approximately RMB31.0 million, RMB0.8 million, RMB0.6 million and RMB0.1 million, respectively. All the cash and bank balances were denominated in RMB and cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the Target Company had net liabilities of approximately RMB296.3 million, RMB496.7 million, RMB566.8 million and RMB553.4 million, respectively.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the Target Company had outstanding interest-bearing borrowings of approximately RMB292.0 million, RMB294.0 million, RMB335.7 million and nil, respectively. Its borrowings are all denominated in RMB with fixed interest rates at annual interest rates ranging from 8.5% to 12% and repayable within one year or on demand. Certain of its borrowings are secured by its own properties under development and completed properties held for sale, details of which are shown in Notes 13 and 14 to the Target Company Accountant's Report as set out in Appendix II to this circular.

Financial Risk Management

The Target Company is exposed to risks arising from its financial instruments such as interest rate risk, credit risk and liquidity risk.

Interest Rate Risk

The Target Company's exposure to risk for changes in market interest rates relates primarily to its interest-bearing other borrowings. The Target Company does not use derivative financial instruments to hedge interest rate risk, and obtains all borrowings with a fixed rate.

Credit Risk

The carrying amounts of cash and cash equivalents, trade receivables and financial assets included in prepayments, deposits and other receivables included in the statements of financial position represent the Target Company's maximum exposure to credit risk in relation to its financial assets as at 31 December 2017, 2018 and 2019 and 30 September 2020.

As at 31 December 2017, 2018 and 2019 and 30 September 2020, all cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

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

Liquidity Risk

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

Gearing ratio

The gearing ratio (which is measured by its net debt divided by its total capital plus net debt) is not applicable to the Target Company as the Target Company had a net deficiency in equity as at 31 December 2017, 2018 and 2019 and 30 September 2020.

Capital structure

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

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

As at the Latest Practicable Date, save as disclosed above, the Target Company did not have any future plan for material investments or acquisition of capital assets for the year ending 31 December 2021.

5. EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, 2018 and 2019 and 30 September 2020, the Target Company had 52, 38, 36 and 19 employees, respectively, and the total remunerations to employees were approximately RMB4.8 million, RMB4.8 million, RMB4.3 million and RMB1.1 million, respectively. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees included social insurance, retirement schemes and training programs.

6. CHARGES ON ASSETS

As at 31 December 2017, 2018 and 2019 and 30 September 2020 certain of the Target Company's (i) properties under development with aggregate carrying amounts of approximately RMB434,566,000, RMB126,645,000 and RMB126,645,000 and RMB126,645,000, respectively; and (ii) completed properties held for sale with aggregate carrying amounts of approximately RMB95,764,000, RMB49,304,000, RMB35,739,000 and nil have been pledged to secure other borrowings granted to the Target Company. Further details of which are set out in Notes 13, 14 and 21 to the Target Company Accountant's Report in Appendix II to this circular.

7. FOREIGN EXCHANGE EXPOSURE

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

8. SIGNIFICANT INVESTMENTS

There were no significant investments held by the Target Company during the Target Company's Reporting Period.

9. MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisitions or disposals of subsidiaries or associated companies conducted by the Target Company during the Target Company's Reporting Period.

10. CONTINGENT LIABILITIES

The Target Company provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Target Company's completed properties held for sale. The Target Company's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchaser, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

If there is any default on mortgage payments by the purchasers, the Target Company will be responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to the relevant banks.

The related properties were also pledged to the banks as collaterals for the mortgage loans. If there is any default on mortgage repayments by the purchasers, the banks will be entitled to take over the legal titles and will realise the pledged properties through open auction.

As at 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the material contingent liabilities incurred for the Target Company's provision of guarantees to banks in connection with facilities granted to purchasers of the Target Company's properties was approximately RMB813,525,000, RMB394,865,000, RMB17,878,000 and RMB800,000, respectively.

The Target Company did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Target Company's completed properties held for sale. The Directors considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Set out below is the management discussion and analysis of the Project Company for the period from 17 February 2020 (date of establishment) to 31 December 2020. The discussion and analysis relate to the results and financial position of the Project Company. You should read the discussion and analysis together with the respective financial information of the Project Company as of and for the period from 17 February 2020 to 31 December 2020 and the accompanying notes thereto, which is set forth in the Project Company Accountants' Report in Appendix III to this circular. The Project Company Accountants' Report has been prepared in accordance with IFRS on such basis as is set forth in Note 2.1 to the financial information in the Project Company Accountants' Report.

1. BUSINESS REVIEW

The Project Company was established on 17 February 2020 for the purpose of acquisition and development of the Project Land, and has not commenced any material operating activity since its establishment. The Project Company owns the land use rights of the land parcel situated at the east to Wuhu Avenue, south to Gaoyuan Road, west to Planning Road and north to Hefeng Road* (東至五湖大道、南至高遠路、西至規劃道路、北至和風路) in the PRC with a site area of approximately 28,845.3 sq. m. with the term being 70 years and 40 years for residential and commercial use, respectively. As at the Latest Practicable Date, the Project Land remained undeveloped.

It is the intention of the Group to cooperate with Wuxi Huayu to develop the Project Land into a residential and commercial complex.

2. REVIEW OF FINANCIAL RESULTS

During the Project Company's Reporting Period, the Project Company had one reportable business segment, which was the development and sale of properties. The Project Company did not generate any revenue during the Project Company's Reporting Period as the Project Company has not commenced any material operating activity since its establishment.

Other income and gains of approximately RMB30,000 during the Project Company's Reporting Period consists of interest income.

Administrative expenses of approximately RMB333,000 during the Project Company's Reporting Period consists of fees for registration of property rights.

Finance costs of approximately RMB634,000 during the Project Company's Reporting Period consists of interest expenses.

As a result of the foregoing, the Project Company had loss and total comprehensive expense of approximately RMB937,000 during the Project Company's Reporting Period.

3. LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Project Company adopts a prudent funding and treasury policy. During the Project Company's Reporting Period, the Project Company funded its business operations mainly through capital injection and financing from shareholders.

The Project Company's primary uses of cash are for daily operations of the company.

As at 31 December 2020, the Project Company had net assets of approximately RMB19.1 million.

As at 31 December 2020, the Project Company had cash and bank balances of approximately RMB12.0 million. All cash and bank balances were denominated in RMB and cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2020, the Project Company had outstanding unsecured interest-bearing borrowings of approximately RMB701.8 million. Its borrowings are all denominated in RMB with fixed interest rate at annual interest rate of 6.8% and repayable within 12 months.

Financial Risk Management

The Project Company is exposed to risks arising from its financial instruments such as interest rate risk, credit risk and liquidity risk.

Interest Rate Risk

The Project Company's exposure to risk for changes in market interest rates relates primarily to its interest-bearing other borrowings. The Project Company does not use derivative financial instruments to hedge interest rate risk, and obtains all other borrowings with a fixed rate.

Credit Risk

The carrying amounts of cash and cash equivalents included in the statements of financial position represent the Project Company's maximum exposure to credit risk in relation to its financial assets as at 31 December 2020.

As at 31 December 2020, all cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

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

Liquidity Risk

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

Gearing Ratio

The gearing ratio (which is measured by its net debt divided by its total capital plus net debt) as at 31 December 2020 was 97%.

Capital Structure

Details of the capital structure of the Project Company are set out in Note 11 to the Project Company Accountants' Report as set out in Appendix III to this circular.

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

As at the Latest Practicable Date, save as disclosed above, the Project Company did not have any future plan for material investments or acquisition of capital assets for the year ending 31 December 2021.

5. EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Project Company had no employee, and accordingly, no remuneration of employees, remuneration policies, bonus and share option schemes and training schemes were involved.

6. CHARGES ON ASSETS

As at 31 December 2020, the Project Company had no charges on assets.

7. FOREIGN EXCHANGE EXPOSURE

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

8. SIGNIFICANT INVESTMENTS

There was no significant investment held by the Project Company during the Project Company's Reporting Period.

9. MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries or associated companies conducted by the Project Company during the Project Company's Reporting Period.

10. CONTINGENT LIABILITIES

As at 31 December 2020, the Project Company did not have material contingent liabilities.

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

EY 安永

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

26 February 2021

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

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yincheng International Holding Co., Ltd. (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') prepared by the directors of the Company (the ''Directors'') for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2020 and related notes as set out in Appendix VI to the circular dated 26 February 2021 (the ''Circular'') issued by the Company (the ''Unaudited Pro Forma Financial Information'') in connection with the acquisitions of the entire equity interests in Hangzhou Qingcheng Property Development Co., Ltd (杭州青城房地產開發有限公司, ''Hangzhou Qingcheng Property'') and Wuxi Xuelang Changguang Property Development Co., Ltd. (無錫雪浪長廣置業有限公司, ''Wuxi Xuelang Changguang Property''), (collectively known as the ''Target Companies''). Upon the completion of the acquisitions, the Company effectively holds 100% equity interests in the Target Companies. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV and V to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisitions of the Target Companies on the Group's assets and liabilities as at 30 June 2020 as if the acquisitions 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 financial information for the six months period ended 30 June 2020 as set out in the published interim report of the Company dated 25 September 2020.

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 acquisitions of the Target Companies on unadjusted financial information of the Group as if the acquisitions 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 acquisitions of the Target Companies would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the acquisitions of the Target Companies, and to obtain sufficient appropriate evidences 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 acquisitions of the Target Companies in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

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

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

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

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

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

Yours faithfully,

Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group as enlarged as if the acquisitions of the Target Companies (hereafter collectively called as the ''Enlarged Group'') had been completed. We adopt the same defined terms as referred to in the circular issued by the Company on 26 February 2021 (the ''Circular''). The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group should be read in conjunction with other information included elsewhere in this Circular.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only, based on their judgments, estimations and assumptions, on the basis and notes set forth below for the purpose of illustrating the effects of the acquisitions of the entire equity interests in the Target Companies as if the acquisitions had been completed on 30 June 2020.

Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the acquisitions been completed on 30 June 2020 or any future dates.

Basis of preparation

The directors of the Company referred to the Circular that, as a result of the various agreements (the ''**Acquisition Agreement**'') entered into by the Group and the relevant parties, the Group will acquire the assets of Hangzhou Qingcheng Property and Wuxi Xuelang Changguang Property at a Net Acquisition Consideration of RMB1,836 million and RMB779 million, respectively, excluding transaction costs.

For the purpose of unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, the acquisitions of Hangzhou Qingcheng Property and Wuxi Xuelang Changguang Property are accounted for as acquisitions of assets which do not involve a business pursuant to the relevant agreements entered into by the Group as set out in the Circular.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2020 included in the published 2020 interim report of the Company, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

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

	The Group as at 30 June 2020 (unaudited)	Pro forma adjustments						Pro forma for the Enlarged Group as at 30 June 2020 (unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
NON-CURRENT ASSETS								
Property, plant and equipment	1,367,415	71	—	—	—	—	—	1,367,486
Right-of-use assets	275,829	—	—	—	—	—	—	275,829
Investment properties	918,200	—	—	—	—	—	—	918,200
Intangible assets	7,439	—	—	—	—	—	—	7,439
Investment in joint ventures	91,426	—	—	—	—	—	—	91,426
Investment in associates	1,621,407	—	—	—	—	—	—	1,621,407
Deferred tax assets	421,730	—	—	—	—	—	—	421,730
Financial assets at fair value through other comprehensive income	429,306	—	—	—	—	—	—	429,306
Other non-current assets	—	5,051	—	—	—	—	—	5,051
Total non-current assets	5,132,752	5,122	—	—	—	—	—	5,137,874
CURRENT ASSETS								
Property under development	15,675,675	1,788,145	—	—	766,854	—	—	18,230,674
Completed properties held for sale	5,279,239	26,300	—	—	—	—	—	5,305,539
Trade receivables	2,637	4,570	—	—	—	—	—	7,207
Due from related companies	537,134	—	—	—	—	—	—	537,134
Prepayments, deposits and other receivables	3,361,136	4,467	—	—	12	—	—	3,365,615
Tax recoverable	425,602	7,260	—	—	—	—	—	432,862
Financial assets at fair value through profit or loss ("FVTPL")	270,772	—	—	—	—	—	—	270,772
Other current assets	68,603	—	—	—	—	—	—	68,603
Inventories	808	—	—	—	—	—	—	808
Restricted cash	1,176,126	108	—	—	—	—	—	1,176,234
Pledged deposits	863,728	—	—	—	—	—	—	863,728
Cash and cash equivalents	4,544,630	125	(500,000)	—	11,964	(378,398)	—	3,678,321
Total current assets	32,206,090	1,830,975	(500,000)	—	778,830	(378,398)	—	33,937,497

	The Group as at 30 June 2020 (unaudited)	Pro forma adjustments						Pro forma for the Enlarged Group as at 30 June 2020 (unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	
CURRENT LIABILITIES								
Trade and bills payables	2,498,363	196,978	—	(196,978)	—	—	—	2,498,363
Other payables, deposits received and accruals	4,558,047	624,574	—	(439,287)	22,034	—	6,850	4,772,218
Contract liabilities	10,934,594	800	—	—	—	—	—	10,935,394
Due to related companies	1,514,054	—	—	—	701,832	(473,434)	—	1,742,452
Senior notes	977,437	—	—	—	—	—	—	977,437
Interest-bearing bank loans and other borrowings	4,183,146	—	—	—	—	—	—	4,183,146
Tax payable	1,104,043	31,729	—	(31,729)	—	—	—	1,104,043
Lease liabilities	15,431	—	—	—	—	—	—	15,431
Total current liabilities	25,785,115	854,081	—	(667,994)	723,866	(473,434)	6,850	26,228,484
NET CURRENT ASSETS/ (LIABILITIES)	6,420,975	976,894	(500,000)	667,994	54,964	95,036	(6,850)	7,709,013
TOTAL ASSETS LESS CURRENT LIABILITIES	11,553,727	982,016	(500,000)	667,994	54,964	95,036	(6,850)	12,846,887
NON-CURRENT LIABILITIES								
Interest-bearing bank loans and other borrowings	6,356,684	—	1,150,010	—	—	—	—	7,506,694
Deferred tax liabilities	301,763	—	—	—	—	—	—	301,763
Lease liabilities	4,485	—	—	—	—	—	—	4,485
Total non-current liabilities	6,662,932	—	1,150,010	—	—	—	—	7,812,942
NET ASSETS/(DEFICITS)	4,890,795	982,016	(1,650,010)	667,994	54,964	95,036	(6,850)	5,033,945
Equity attributable to owners of the Parent	2,585,692	982,016	(1,650,010)	667,994	27,482	(27,482)	(6,850)	2,578,842
Non-controlling interests	2,305,103	—	—	—	27,482	122,518	—	2,455,103

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

1. The balances are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published interim report of the Company for the six months ended 30 June 2020.

2. It represents the recognition of the acquired assets and assumed liabilities through the acquisition of Hangzhou Qingcheng Property, and the values of the respective assets are made through an allocation of acquisition consideration.

3. It represents the total funding for the acquisition of Hangzhou Qingcheng Property, which consists of a cash payment of RMB500 million made by the Group, and interest bearing financing of RMB1,150 million provided by Zheshang Asset Management (浙江省浙商資產管理有限公司), Zheyue Asset Management (浙越資產管理有限公司) and Zhejiang Jinyu (浙江金珏資產管理有限公司) (hereafter collectively called as the ''Fund Providers'').

4. It represents settlement of the assumed liabilities of Hangzhou Qingcheng Property by using the interest bearing financing in Note 3 as stated in the agreement with the Fund Providers.

5. It represents the recognition of the acquired assets and assumed liabilities through the acquisition of Wuxi Xuelang Changguang Property, and the values of the respective assets are made through an allocation of acquisition consideration.

6. The amounts represent 1) a cash payment of RMB378 million made by the Group for the acquisition of an effective 50% interests in Wuxi Xuelang Changguang Property, 2) the elimination of payables of RMB702 million due to the Group by Wuxi Xuelang Changguang Property and 3) a funding of RMB228 million provided by the minority shareholder, Wuxi Huayu Real Estate Co., Ltd. (無錫華宇置業有限公司) (the ''Minority Shareholder'').

7. It represents the estimated transaction cost payable of RMB6,850,000 in relation to the acquisitions.

8. The total non-controlling interests of RMB150 million in Notes 5 and 6 represent capital injected by the Minority Shareholder.

The following is the text of a letter, summary of values and a valuation certificate, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 December 2020 of the property held by the Target Company.

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仲量聯行

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

26 February 2021

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

Dear Sirs,

In accordance with your instructions to value the property interest held by Hangzhou Qingcheng Property Development Co., Ltd. (杭州青城房地產開發有限公司, "**Hangzhou Qingcheng**"), hereafter also known as the "**Target Company**", in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 December 2020 (the "**valuation date**").

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

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

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

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

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

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

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

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

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

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in January 2021 by Mr. Jason Chen and Mr. Ross Tan who have more than 2 years' experience in the valuation of properties in the PRC and possess academic background in subjects relating to real estate valuation.

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

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in these particular market sectors remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of the property under frequent review.

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

Our summary of values and valuation certificate are attached below for your attention.

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

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Property interest held for sale by the Target Company in the PRC

Group II: Property interest held under development by the Target Company in the PRC

Group III: Property interest held for future development by the Target Company in the PRC

Property	**Market value in existing state as at 31 December 2020** *RMB* **Group I:**	**Market value in existing state as at 31 December 2020** *RMB* **Group II:**	**Market value in existing state as at 31 December 2020** *RMB* **Group III:**	**The total market value in existing state as at 31 December 2020** *RMB*
Portions of Yihe Project located at the northern side of Keji Avenue, Lin'an District, Hangzhou City Zhejiang Province The PRC	22,300,000	612,100,000	1,838,300,000	2,472,700,000

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020 *RMB*
Portions of Yihe Project located at the northern side of Keji Avenue, Lin'an District, Hangzhou City Zhejiang Province The PRC	Yihe Project is located at the northern side of Qingcheng Avenue. The locality is a residential area with various amenities and sophisticated infrastructural facilities. The locality is a sub-urban area near Qingshan Lake Scenic Spot, within 30 minutes' driving distance to the city centre and 50 minutes' driving distance to the Hangzhou International Airport. Yihe Project is erected on several parcels of land with a total site area of approximately 805,871.70 sq.m., which is being developed into a residential and commercial development. Portions of Yihe Project were completed in various stages in 2017 and 2018, and 234 car parking spaces of that (the "**unsold units**") were vacant for sale as at the valuation date. Portions of the property with a total planned gross floor area of approximately 116,277.04 sq.m. had obtained construction permits (the "**CIP**"), but its construction work had been suspended as at the valuation date. As advised, the construction of the remaining portion of the property (the "**bare land**") with a plot ratio accountable gross floor area of approximately 199,973.02 sq.m. had not been commenced as at the valuation date. As at the valuation date, the property comprised the unsold units, the CIP and the bare land of Yihe Project with a total planned gross floor area of approximately 413,782.80 sq.m. The classification, usage and planned gross floor area details of the property are set out in note 7. As advised by the Company and the Target Company, the construction cost of the CIP of the property is estimated to be approximately RMB591,900,000, of which approximately RMB156,000,000 had been incurred up to the valuation date. The land use rights of the property have been granted for terms expiring on 30 December 2072, 19 September 2076, 19 October 2076 or 9 February 2080 for residential use and 30 December 2042, 19 September 2046, 19 October 2046 or 9 February 2050 for commercial use.	As at the valuation date, the unsold units of the property were vacant, portions of the property were bare land and the CIP of the property had obtained construction permits. Since 30 June 2019, all construction works of the CIP had been suspended.	2,472,700,000

Notes:

1. Pursuant to 9 State-owned Land Use Rights Grant Contracts and 7 Supplementary Contracts, the land use rights of several parcels of land with a total site area of approximately 805,871.70 sq.m. (including the land use rights of the property) were contracted to be granted to the Target Company for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The total land premium was RMB262,660,093.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 2015-0628, permission towards the planning of the land of the property has been granted to the Target Company.

3. Pursuant to 12 State-owned Land Use Rights Certificates, the land use rights of the property have been granted to the Target Company for terms expiring on 30 December 2072, 19 September 2076, 19 October 2076 or 9 February 2080 for residential use and 30 December 2042, 19 September 2046, 19 October 2046 or 9 February 2050 for commercial use.

4. Pursuant to 5 Construction Work Planning Permits — Jian Zi Di Nos. 2015-0676, 2016-0653, 330185201900002, 330185201800148 and 330185201800149 in favour of the Target Company, portions of Yihe Project with a total gross floor area of approximately 246,779.28 sq.m. (including the CIP of the property) have been approved for construction.

5. Pursuant to 6 Construction Work Commencement Permits — Nos. 330185201601290101 Bu, 33018520161230101 Tiao, 330185201703090101, 330185201703270101, 330185201901150101 and 3301852018120170101 in favour of the Target Company, permissions by the relevant local authority were given to commence the construction work of portions of Yihe Project with a total gross floor area of approximately 218,323.40 sq.m. (including the CIP of the property).

6. Pursuant to 22 Construction Work Completion and Inspection Tables in favour of the Target Company, the construction of portions of Yihe Project with a total gross floor area of approximately 101,566.99 sq.m. (including the unsold units of the property) has been completed and passed the inspection acceptance.

7. According to the information provided by the Company and the Target Company (including related permits, development plans and government endorsed area measurement reports (if any)), the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area/ Planned Gross Floor Area (sq.m.)	No. of car parking space
Group I — held for sale by the Target Company	Car parking spaces	6,926.17	234
	Sub-total:	6,926.17	234
Group II — held under development by the Target Company	Residential	53,009.65	
	Commercial	23,510.61	
	Ancillary	2,638.41	
	Basement (inclusive of car parking spaces)	37,118.37	535
	Sub-total:	116,277.04	535
Group III — held for future development by the Target Company	Residential	190,083.36	
	Ancillary	11,543.06	
	Basement (inclusive of car parking spaces)	88,953.17	1,812
	Sub-total:	290,579.59	1,812
	Total:	413,782.80	2,581

8. The market value of the CIP of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,494,900,000.

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

   a. For portions of the property in Group I and Group II, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB19,000 to RMB22,000 per sq.m. for high-rise residential units, RMB33,000 to RMB38,000 per sq.m. for high-end low-rise residential units, RMB23,000 to RMB28,000 per sq.m for commercial units on the first floor and RMB80,000 to RMB120,000 per space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate for the property; and

   b. For the bare land of the property in Group III, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The accommodation value of these comparable land sites ranges from RMB8,500 to RMB10,500 per sq.m. for residential use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed accommodation value for the property.

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

    a. The land use rights of the property have been mortgaged;

    b. The Target Company legally owns the land use rights of the property and has the rights to occupy, use, lease the land of the property, subject to the limitation of the registered land use rights mortgage;

    c. The Target Company is legally and validly in possession of the building ownership rights of the unsold units of the property; and

    d. The Target Company has obtained related Construction Work Planning Permits and Construction Work Commencement Permits for the CIP of the property.

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

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

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

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — held for sale by the Target Company	22,300,000
Group II — held under development by the Target Company	612,100,000
Group III — held for future development by the Target Company	1,838,300,000
Total:	2,472,700,000

The following is the text of a letter and a valuation certificate, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 December 2020 of the property held by the Project Company.

仲量聯行

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

26 February 2021

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

Dear Sirs,

In accordance with your instructions to value the property interest held by Wuxi Xuelang Changguang Real Estate Co., Ltd. (無錫雪浪長廣置業有限公司, "**Wuxi Xuelang**"), hereafter also known as the "**Project Company**", in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31 December 2020 (the "**valuation date**").

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

We have valued the property interest by the comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

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

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

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

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

We have been shown copies of State-owned Land Use Rights Certificate and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — SAILFAR PARTNERS, concerning the validity of the property interest in the PRC.

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

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in January 2021 by Mr. Jason Chen and Mr. Ross Tan who have more than 2 years' experience in the valuation of properties in the PRC and possess academic background in subjects relating to real estate valuation.

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

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of the property under frequent review.

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

Our valuation certificate is attached below for your attention.

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

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020 *RMB*
A parcel of land located at the southern side of Hefeng Road and the western side of Wuhu Avenue Binhu District Wuxi City Jiangsu Province The PRC	The property is located at the southern side of Hefeng Road and the western side of Wuhu Avenue. The locality is a mature residential area with various amenities and sophisticated infrastructural facilities. The property comprises a parcel of land with a site area of approximately 28,845.30 sq.m., which will be developed into a residential and commercial development with a total planned plot ratio accountable gross floor area of approximately 72,113.25 sq.m. As advised by the Company and the Project Company, the construction of the property had not been commenced as at the valuation date. The land use rights of the property have been granted for terms expiring on 16 December 2089 for residential use and 16 December 2059 for commercial use.	As at the valuation date, the property was bare land.	764,300,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract and 2 Supplementary Contracts, the land use rights of a parcel of land with a site area of approximately 28,845.30 sq.m. were contracted to be granted to the Project Company for terms of 70 years for residential use and 40 years for commercial use commencing from the land delivery date. The total land premium was RMB664,100,000 and the plot ratio is 2.5.

2. Pursuant to a State-owned Land Use Rights Certificate — Su (2020) Wu Xi Shi Bu Dong Chan Quan Di No. 0178827, the land use rights of a parcel of land with a site area of approximately 28,845.30 sq.m. have been granted to the Project Company for terms expiring 16 December 2089 for residential use and 16 December 2059 for commercial use.

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

   In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The accommodation value of these comparable land sites ranges from RMB9,000 to RMB12,000 per sq.m. for composite residential use and commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed accommodation value for the property. Regarding to time adjustment, the market condition between the transaction date and valuation date is considered.

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

   a. The land use rights of the property have been mortgaged; and

   b. The Project Company legally owns the land use rights of the property and has the rights to occupy, use, lease the land of the property, subject to the limitation of the registered land use rights mortgage.

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, confirmed that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

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

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

Long Positions in the Shares

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

Notes:

1. Out of the 539,089,534 Shares, 517,833,810 Shares were directly owned by Silver Huang Holding Limited and 21,255,724 Shares were directly owned by Silver Vally Holding Limited. Silver Huang Holding Limited and Silver Vally Holding Limited are wholly-owned by Mr. Huang Qingping who is deemed to be interested in the Shares held by Silver Huang Holding Limited and Silver Vally Holding Limited under the SFO.

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

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

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

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

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

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

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company whose interests have been disclosed under the paragraph headed ''Directors' Interests in Securities'' above) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature	Number of Shares held	Approximate percentage of issued share capital of the Company
Silver Huang Holding Limited	Beneficial owner	517,833,810	35.79%
Silver Dai Holding Limited	Beneficial owner	187,777,351	12.98%

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

Notes:

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

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

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

5. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

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

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

(c) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and

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

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

6. MATERIAL CONTRACTS

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

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

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

(c) the cooperation agreement dated 13 May 2019 entered into between Nanjing Yinjiayuan Enterprise Management Co., Ltd.* (南京銀嘉淵企業管理有限公司) ("**Nanjing Yinjiayuan**") and Lin'an Yixiang Property Development Company

Limited* (臨安屹翔房地產開發有限公司) ("**Lin'an Yixiang**"), pursuant to which the parties thereto agreed on the cooperation towards implementing the acquisition of two distressed companies by Nanjing Yinjiayuan and disposal of 17 distressed companies by Lin'an Yixiang;

(d) the restructuring investment agreement (投資重整協議) dated 16 May 2019 entered into among Nanjing Yinjiayuan and Lin'an Yixiang as the restructuring investors (the "**Restructuring Investors**") and the Administrator of Zhongdu Holdings Group Company Limited* (中都控股集團有限公司管理人) in respect of the acquisition of 19 distressed companies by the Restructuring Investors as part of the restructuring of such 19 distressed companies which have been adjudicated bankrupt by the Hangzhou City Yuhang District People's Court;

(e) the framework cooperation agreement dated 3 July 2019 entered into between Nanjing Yinjiazhen Enterprise Management Co., Ltd.* (南京銀嘉湞企業管理有限公司) ("**Nanjing Yinjiazhen**") and Nanjing Zhijun Property Development Company Limited* (南京至君房地產開發有限公司) in relation to the acquisition of the land parcel situated at No. 224 of Central Street, Xuanwu Road, Xuanwu District, Nanjing City, the PRC;

(f) the equity transfer agreement dated 21 August 2019 entered into between Nanjing Yinjiazhen and Shanghai Mingbu Industrial Company Limited* (上海銘布實業有限公司) ("**Shanghai Mingbu**"), pursuant to which Nanjing Yinjiazhen agreed to transfer 25% equity interest in Nanjing Zhijun Property Development Company Limited* (南京至君房地產開發有限公司) to Shanghai Mingbu;

(g) the equity transfer agreement dated 30 September 2019 entered into among Nanjing Yincheng Real Estate Co., Ltd.* (南京銀城房地產開發有限公司) ("**Nanjing Yincheng**"), Nanjing Yinhaokun Enterprise Management Partnership (Limited Partnership)* (南京銀浩坤企業管理合夥企業(有限合夥)) and Nanjing Yinjiachun Enterprise Management Co., Ltd.* (南京銀嘉淳企業管理有限公司), pursuant to which Nanjing Yinhaokun Enterprise Management Partnership (Limited Partnership) * (南京銀浩坤企業管理合夥企業(有限合夥)) disposed 0.99% shareholding interest in Nanjing Yinjiachun Enterprise Management Co., Ltd.* (南京銀嘉淳企業管理有限公司) (i.e. RMB10,000 contribution to the registered capital) to Nanjing Yincheng;

(h) the master property management services agreement dated 21 October 2019 entered into between the Company and Yincheng Life Service (for itself and on behalf of its subsidiaries), pursuant to which Yincheng Life Service and its subsidiaries shall provide property management services to the Group;

(i) the equity transfer agreement dated 11 December 2019 entered into among Xuzhou Tongshan Urban Development Investment Co., Ltd.* (徐州市銅山區城市建設投資有限責任公司) ("**Tongshan Urban**"), Xuzhou Yinjiahao Corporate Management Co., Ltd.* (徐州銀嘉灝企業管理有限公司) ("**Xuzhou Yinjiahao**") and Xuzhou Tongshun Real Estate Development Co., Ltd.* (徐州銅順房地產開發有限公司) ("**Tongshan Real Estate**"), pursuant to which Tongshan Urban shall transfer the entire equity interest in Tongshan Real Estate to Xuzhou Yinjiahao;

(j) the development cooperation agreement* (合作開發協議) dated 25 February 2020 entered into among Hangzhou Yinjiahong Corporate Management Co., Ltd.* (杭州銀嘉泓企業管理有限責任公司) ("**Hangzhou Yinjiahong**"), Shanghai Juanlang Real Estate Development Co., Ltd.* (上海雋朗房地產開發有限公司) ("**Shanghai Juanlang**"), Greatmind Developments (HK) Limited and Shanghai Juanyue Property Co., Ltd.* (上海雋岳置業有限公司) ("**Shanghai Juanyue**"), pursuant to which Hangzhou Yinjiahong agreed to purchase, and Shanghai Juanlang agreed to sell, 40% of the entire equity interest in Shanghai Juanyue;

(k) the equity transaction agreement* (產權交易合同) dated 15 July 2020 entered into between Wuxi Yincheng Real Estate Development Co., Ltd.* (無錫銀城房地產開發有限公司) ("**Wuxi Yincheng**") and Wuxishi Xinwu District Jiangxi Street Assets Operation Company* (無錫市新吳區江溪街道資產經營公司) ("**Wuxi Xinwu**"), pursuant to which Wuxi Yincheng agreed to acquire and Wuxi Xinwu agreed to sell the entire equity interest in Wuxi Chengxiang Real Estate Co., Ltd.* (無錫誠祥置業有限公司) ("**Wuxi Chengxiang**") and a debt in the amount of RMB355,966,829 owed by Wuxi Chengxiang to Wuxi Xinwu;

(l) the development cooperation agreement* (合作開發協議書) dated 20 August 2020 entered into among Wuxi Yinxuan Enterprise Management Co., Ltd.* (無錫垠烜企業管理有限公司) ("**Wuxi Yinxuan**"), Shanghai Sunac Real Estate Development Co., Ltd. ("**Shanghai Sunac**") and Wuxi Rongshi Enterprise Management Co., Ltd.* (無錫融勢企業管理有限公司) ("**Wuxi Rongshi**") for the joint development of the land parcel situated at the south of Taishan Road, west of Xishi Road and north of Chunfeng Road* (泰山路南側、錫士路西側、春豐路北側地塊) through Wuxi Xinfa Jiayuan Real Estate Co., Ltd.* (無錫市新發佳園置業有限公司);

(m) the Acquisition Framework Agreement I;

(n) the Acquisition Framework Agreement II;

(o) the investment cooperation agreement in relation to the "Wenzhou Overseas Chinese City" project* (關於"溫州華僑城"項目之投資合作協議) dated 20 December 2020 entered into among Nanjing Yincheng, Nanjing Yinzhuo Real Estate Co., Ltd* (南京銀卓房地產開發有限公司), Wenzhou Yinjiahui Enterprise Management Co., Ltd.* (溫州銀嘉滙企業管理有限責任公司) ("**Wenzhou Yinjiahui**") and Hangzhou Qianyan Enterprise Management Consulting Co., Ltd.* (杭州前岩企業管理諮詢有限公司) for the joint investment in Wenzhou Yinjiahui, and ultimately, for the proposed acquisition by Wenzhou Yinjiahui of 51% equity interest in Wenzhou Overseas Chinese Town Investment Development Co., Ltd.* (溫州華僑城投資發展有限公司);

(p) the Cooperation Agreement;

(q) the equity transaction agreement (產權交易合同) dated 23 December 2020 entered into among Wuxi Yinzezhou Enterprise Management Co., Ltd* (無錫銀澤洲企業管理有限公司) ("**Wuxi Yinzezhou**"), Shenzhen OCT Properties Co., Ltd. (深圳華僑城房地產有限公司) ("**Shenzhen OCT**") and Changshu Shajiabang Town Operation and Investment Co., Ltd.* (常熟市沙家浜鎮城鎮經營投資有限公司) ("**Changshu

Shajiabang") in relation to the acquisition of 80% equity interest in Changshu Shajiabang Huading Land Co., Ltd* (常熟市沙家浜華鼎置地有限公司) ("**Changshu Huading**") and a debt in the amount of RMB102,797,592.71 owed by Changshu Huading to Shenzhen OCT and Changshu Shajiabang;

(r) the equity transfer agreement (股權轉讓協議) dated 23 December 2020 entered into between Wuxi Yinzezhou and Jiangsu Zhongding Real Estate Development Co., Ltd. (江蘇中鼎房地產開發有限責任公司) ("**Jiangsu Zhongding**") in relation to the acquisition of 20% equity interest in Changshu Huading and a debt in the amount of RMB25,723,380.63 owed by Changshu Huading to Jiangsu Zhongding; and

(s) the equity transfer agreement (股權轉讓協議) dated 4 February 2021 entered into between Nanjing Yincheng and Jisnagsu Winfast Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司) in relation to the acquisition of 25% equity interest in Nanjing Eastern Senior Living Health Industry Co., Ltd.* (南京東方頤年健康產業發展有限公司).

7. LITIGATION

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

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

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

The reports of Ernst & Young and Jones Lang LaSalle Corporate Appraisal and Advisory Limited are given as of the date of this circular for incorporation herein.

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

As at the Latest Practicable Date, the abovenamed expert:

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

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company for the year ended 31 December 2019 were made up.

9. MISCELLANEOUS

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

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

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

(d) The principal share registrar and transfer office of the Company in Cayman Islands is Ocorian Trust (Cayman) Limited of Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

(c) the interim report of the Company for the six months ended 30 June 2020;

(d) the annual report of the Company for the financial year ended 31 December 2019;

(e) the Prospectus;

(f) the Target Company Accountants' Report;

(g) the Project Company Accountants' Report;

(h) Property Valuation Report I;

(i) Property Valuation Report II;

(j) the written consent of Ernst & Young as referred to in the paragraph headed "Qualifications and Consents of Experts" in this appendix;

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

(l) the circular of the Company dated 27 March 2020; and

(m) this circular.