THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Tai United Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

太和控股有限公司
TAI UNITED HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 718)

(1) VERY SUBSTANTIAL ACQUISITION OF SHOPPING MALL BUSINESSES IN THE PRC AND (2) NOTICE OF SGM

Precautionary measures for the SGM

Please take special note of page 28 of this circular and special note to the notice of SGM for measures to be taken at the SGM to reduce the risk of coronavirus disease (COVID-19) spreading.

A letter from the Board is set out on pages 6 to 29 of this circular.

A notice convening the SGM to be held at 10:30 a.m., on Wednesday, 21 April 2021, at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

26 March 2021

CONTENTS

Page

DEFINITIONS 1

LETTER FROM THE BOARD 6

APPENDIX I — FINANCIAL INFORMATION OF THE GROUP I-1

APPENDIX II — FINANCIAL INFORMATION OF THE JINZHOU TARGET GROUP II-1

APPENDIX III — FINANCIAL INFORMATION OF THE GUANGZHOU TARGET GROUP III-1

APPENDIX IV — ACCOUNTANTS' REPORT OF THE JINZHOU TARGET GROUP IV-1

APPENDIX V — ACCOUNTANTS' REPORT OF THE GUANGZHOU TARGET GROUP V-1

APPENDIX VI — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP VI-1

APPENDIX VII — PROPERTY VALUATION OF THE JINZHOU TARGET GROUP AND THE GUANGZHOU TARGET GROUP VII-1

APPENDIX VIII — GENERAL INFORMATION VIII-1

NOTICE OF THE SGM SGM-1

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

"Acquisitions"	the Jinzhou Acquisition and the Guangzhou Acquisition
"Announcement"	the announcement of the Company dated 24 December 2020 in relation to, among other things, the Acquisitions
"associates"	shall have the meaning as defined under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which commercial banks in Hong Kong and the PRC are open for transaction of normal banking business
"BVI"	the British Virgin Islands
"Company"	Tai United Holdings Limited (Stock Code: 718), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Jinzhou Acquisition and the Guangzhou Acquisition
"Consideration"	the total consideration payable by the Purchaser under the Share Purchase Agreements for the Acquisitions
"Decision"	the decision of the Stock Exchange dated 18 September 2020 to suspend the trading of the shares of the Company under Rule 6.01(3) of the Listing Rules as the Company has not maintained a sufficient level of operations as required under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares
"Deposit"	a deposit of RMB100,000,000 (equivalent to approximately HK$118,256,000) paid on the date of the Jinzhou Share Purchase Agreement, refundable in accordance with the terms of the Jinzhou Share Purchase Agreement
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisitions to include the Jinzhou Target Group and the Guangzhou Target Group

"Group"	the Company and its subsidiaries from time to time
"Guangzhou Acquisition"	the acquisition of the Guangzhou Target Group through acquiring the entire issued share capital in Superb Power on the terms and conditions of the Guangzhou Share Purchase Agreement
"Guangzhou Share Purchase Agreement"	the conditional share purchase agreement for the sale and purchase of the entire issued share capital of Superb Power
"Guangzhou Shopping Mall"	Phases 1 and 2 of the Guangzhou First Tunnel Shopping Mall in Guangzhou, the PRC
"Guangzhou Target Company"	Guangzhou Rongzhi Public Facilities Investment Co., Ltd.** 廣州融智公共設施投資有限公司, a company established in the PRC which holds the operating rights of the Guangzhou Shopping Mall
"Guangzhou Target Group"	Superb Power and its wholly-owned subsidiaries, including Guangzhou Target Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third party(ies)"	(to the best of the Directors' knowledge, information and belief having made all reasonable enquiries) third party(ies) independent of the Company and its connected persons within the meaning of the Listing Rules
"Jinzhou Acquisition"	the acquisition of the Jinzhou Target Group through acquiring the entire issued share capital in Sky Build on the terms and conditions of the Jinzhou Share Purchase Agreement
"Jinzhou Share Purchase Agreement"	the conditional share purchase agreement for the sale and purchase of the entire issued share capital of Sky Build
"Jinzhou Shopping Mall"	Jinzhou First Tunnel Shopping Mall in Jinzhou, the PRC
"Jinzhou Target Company"	Jinzhou Jiachi Public Facilities Management Co., Ltd.** 錦州嘉馳公共設施管理有限公司, a company established in the PRC which holds the operating rights of the Jinzhou Shopping Mall

"Jinzhou Target Group"	Sky Build and its wholly-owned subsidiaries, including Jinzhou Target Company
"Latest Practicable Date"	24 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 June 2021 or such other date as the parties may agree
"Mr. Dai"	Mr. Dai Yongge, who and whose associates are together the controlling shareholders of China Dili Group, the shares of which are listed on the Main Board of the Stock Exchange with stock code 1387
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Tai United Properties Company Limited, a company incorporated in the BVI, a wholly-owned subsidiary of the Company
"Related Party Advances"	the current account balances of the Guangzhou Target Company due from members of the Seller's Group for the amount of approximately RMB1,489,000,000 (equivalent to approximately HK$1,760,838,000) as at 30 September 2020
"Reporting Accountants" or "Elite Partners"	Elite Partners CPA Limited, the reporting accountants engaged by the Company for the purpose of the Acquisitions
"Reporting Period"	the financial years ended 31 December 2017, 2018 and 2019 and the stub period of nine months ended 30 September 2020
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Review"	the request made by the Company on 23 September 2020 pursuant to Rules 2B.06(1) and 2B.08(1) of the Listing Rules for the Decision to be referred to the Listing Committee for a review by the Listing Committee

"Seller"	Stone Wealth Limited, a company incorporated in the BVI, which is wholly-owned by its ultimate beneficial owner, Mr. Dai
"Seller's Group"	Mr. Dai and companies controlled by him, excluding the Guangzhou Target Group and Jinzhou Target Group
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGM"	the special general meeting of the Company at which, among others, the terms of the Share Purchase Agreements will be considered, and if thought fit, approved by the Shareholders
"Share(s)"	ordinary share(s) of HK$0.05 each in the share capital of the Company
"Share Purchase Agreements"	the Jinzhou Share Purchase Agreement and the Guangzhou Share Purchase Agreement
"Shareholder(s)"	holder(s) of the Shares
"Sky Build"	Sky Build Limited, a company incorporated in the BVI, which is the indirect sole shareholder of the Jinzhou Target Company
"sq.m"	square metres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Superb Power"	Superb Power Enterprises Limited, a company incorporated in the BVI, which is the indirect sole shareholder of the Guangzhou Target Company
"UK"	United Kingdom
"%"	per cent

The shareholding of the respective Shareholder in the Company as disclosed in this circular refers to the percentage shareholding of such Shareholder to the total issued share capital of the Company.

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

For the purpose of this circular, unless the context otherwise requires, conversion of Hong Kong dollars into Renminbi is based on the approximate exchange rate of HK$1 to RMB0.84562. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

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

*The English names of the PRC entities marked with "**" are direct transliterations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

太和控股有限公司
TAI UNITED HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 718)

Executive Directors:
Mr. Kwong Kai Sing Benny *(Chief Executive Officer)*
Mr. Chen Weisong
Mr. Chow Chi Wah Vincent
Mr. Wang Hongfang

Independent non-executive Directors:
Dr. Gao Bin
Ms. Liu Yan
Mr. Tang King Shing

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Room 2902, 29th Floor
China United Centre
28 Marble Road
North Point
Hong Kong

26 March 2021

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION OF SHOPPING MALL BUSINESSES IN THE PRC AND (2) NOTICE OF SGM

A. INTRODUCTION

Reference is made to the announcement of the Company dated 24 December 2020 in relation to, among others, the Acquisitions.

On 24 December 2020 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Jinzhou Share Purchase Agreement and the Guangzhou Share Purchase Agreement with the Seller for the acquisitions of shopping mall businesses in Jinzhou and Guangzhou in the PRC, respectively.

In respect of the Jinzhou Acquisition, the base consideration payable is RMB554,000,000 (equivalent to approximately HK$655,141,000) (subject to completion adjustment, if any). In respect of the Guangzhou Acquisition, the repayment obligations of the Related Party Advances in the amount of RMB1,437,000,000 (equivalent to approximately HK$1,699,345,000) would be novated to the Company upon completion of the Guangzhou Acquisition as base consideration (subject to completion adjustment, if any). Please refer to the section “B. The Acquisitions” for details regarding the terms of the Acquisitions.

After Completion, the Jinzhou Shopping Mall and the Guangzhou Shopping Mall will be held as investment properties by the Enlarged Group and the results of the Jinzhou Target Group and the Guangzhou Target Group would be consolidated into the accounts and under the property investment segment of the Enlarged Group.

As some of the applicable percentage ratios (as defined under the Listing Rules) on an aggregated basis exceed 100%, the Acquisitions constitute a very substantial acquisition of the Company under the Listing Rules and are therefore subject to the approval by the Shareholders at the SGM. The Stock Exchange has determined that the Acquisitions do not constitute a reverse takeover of the Company.

The purpose of this circular is to provide you with: (i) further details on the Acquisitions; (ii) financial information of the Jinzhou Target Group and the Guangzhou Target Group; (iii) pro-forma financial information of the Enlarged Group; (iv) property valuation reports on the Jinzhou Target Group and the Guangzhou Target Group; and (v) a notice of the SGM.

Reference is also made to the announcement of the Company dated 8 February 2021 in relation to update(s) on the Decision. As stated in the said announcement, the Stock Exchange has conditionally agreed that upon the Completion, the Company would be able to satisfy the requirements under Rule 13.24 of the Listing Rules.

B. THE ACQUISITIONS

Background

The Jinzhou Shopping Mall is a single-storey underground mall located in Zhongyang Avenue in Jinzhou city, stretching across the core business district in Jinzhou. Sky Build indirectly holds the entire equity interest in the Jinzhou Target Company, which in turn holds the operating rights of the Jinzhou Shopping Mall.

The Guangzhou Shopping Mall is a two-storey underground mall located in the Guangzhou Railway Station commercial centre, junction of Zhanqian Road and Zhannan Road in Yuexiu District and has two phases which are adjacent to each other. Superb Power indirectly holds the entire equity interest in the Guangzhou Target Company, which in turn holds the operating rights of the Guangzhou Shopping Mall.

(I) Jinzhou Share Purchase Agreement

Date: 24 December 2020

Parties:

(i) Tai United Properties Company Limited, a wholly-owned subsidiary of the Company, as purchaser;

(ii) the Company;

(iii) Stone Wealth Limited, as seller; and

(iv) Mr. Dai Yongge (as guarantor for the Seller's obligations)

Subject matter

100% issued share capital of Sky Build. Sky Build indirectly holds the entire equity interest in Jinzhou Target Company, which in turn holds the operating rights of the Jinzhou Shopping Mall.

Consideration

The consideration payable is RMB554,000,000 (equivalent to approximately HK$655,141,000), of which (i) a refundable deposit of RMB100,000,000 (equivalent to approximately HK$118,256,000) was paid on the date of the Jinzhou Share Purchase Agreement, and (ii) RMB454,000,000 (equivalent to approximately HK$536,884,000) will be settled at completion of the Jinzhou Acquisition by the Purchaser via bank transfer. As disclosed in the Announcement, the base consideration payable at Completion for the Jinzhou Acquisition, being RMB554,000,000, is subject to completion adjustment on a dollar-to-dollar basis for any shortfall, in the event that the audited reassessed net asset value of the Jinzhou Target Group as at 30 September 2020 as shown in the accountants' report of the Jinzhou Target Group is less than the unaudited reassessed net asset value of the Jinzhou Target Company as at 30 September 2020 of RMB554,202,000 by 5% or more. The audited reassessed net asset value of the Jinzhou Target Group as at 30 September 2020 as shown in "Appendix IV – Accountants' Report on the Jinzhou Target Group" of this circular is RMB552,813,000. As the difference in the audited and unaudited reassessed net asset value of the Jinzhou Target Group is less than 5%, there will not be any consideration adjustment at Completion. The consideration represents a slight premium to the audited reassessed net asset value of the Jinzhou Target Group as at 30 September 2020 but given that the Jinzhou Acquisition is an imminent remedy for enhancing the operations of the Group and it is expected to bring the benefits as detailed in the section headed "G. Reasons for and benefits of the Acquisition" of this circular, the Directors consider the consideration for the Jinzhou Acquisition to be reasonable.

In the event that the conditions precedent are not satisfied nor waived (if waivable by the relevant party) by the Long Stop Date, the Deposit paid will be fully refunded by the Seller within seven Business Days. If the conditions precedent are satisfied or waived (if waivable by the relevant party) but the Jinzhou Acquisition does not complete due to the default on the part of the Purchaser and/or the Company, the Deposit paid will be forfeited by the Seller. On the other hand, if the conditions precedent are satisfied or waived (if waivable by the relevant party) but the Jinzhou Acquisition does not complete due to the default on the part of the Seller, the Deposit paid will be fully refunded by the Seller within seven Business Days and an additional amount of RMB100,000,000 (equivalent to approximately HK$118,256,000) will also be payable by the Seller.

Basis of consideration

The consideration was arrived at after arm's length negotiations between the parties, taking into account among others, (i) the unaudited reassessed net asset value of the Jinzhou Target Company as at 30 September 2020 of RMB554,202,000 (with reference to the preliminary property valuation amount of the Jinzhou Target Company of RMB715,000,000(1), as appraised by an independent professional valuer, subject to final audit by the reporting accountants of the Company in relation to the Acquisitions); (ii) the expected enhancement in the level of operations of the Group and the revenue and profits contribution by the Jinzhou Target Group for consolidation into the Group upon Completion; and (iii) the opportunity for the Group to extend its property investment business into commercial retail properties in the PRC.

Note:

(1) The final property valuation amount of the Jinzhou Target Company as at 30 September 2020 was RMB699,000,000, which took into account, amongst other factors, further site inspections and updated tenancy agreements with lower rental rates.

(II) Guangzhou Share Purchase Agreement

Date: 24 December 2020

Parties:

(i) Tai United Properties Company Limited, a wholly-owned subsidiary of the Company, as purchaser;

(ii) the Company;

(iii) Stone Wealth Limited, as seller; and

(iv) Mr. Dai Yongge (as guarantor for the Seller's obligations)

Subject matter

100% issued share capital of Superb Power. Superb Power indirectly holds the entire equity interest in Guangzhou Target Company, which in turn holds the operating rights of the Guangzhou Shopping Mall.

Consideration

The Guangzhou Target Company has Related Party Advances of approximately RMB1,482,000,000 (equivalent to approximately HK$1,752,560,000) as at 30 September 2020, the repayment obligations of which in the amount of RMB1,437,000,000 (equivalent to approximately HK$1,699,345,000) would be novated to the Company upon completion of the Guangzhou Acquisition as consideration for the Guangzhou Acquisition, and the remaining balance of RMB45,000,000 (equivalent to approximately HK$53,215,000) would be settled by the Seller prior to the completion of the Guangzhou Acquisition. No other consideration is payable by the Purchaser at completion of the Guangzhou Acquisition. As disclosed in the Announcement, the base consideration for the Guangzhou Acquisition, being RMB1,437,000,000, is subject to completion adjustment on a dollar-to-dollar basis for any shortfall, in the event that the audited reassessed net asset value of the Guangzhou Target Group as at 30 September 2020 as shown in the accountants' report of the Guangzhou Target Group is less than the unaudited reassessed net asset value of the Guangzhou Target Company as at 30 September 2020 of RMB1,437,486,000 by 5% or more. The audited reassessed net value of the Guangzhou Target Group as at 30 September 2020 as shown in "Appendix V – Accountants' Report on the Guangzhou Target Group" of this circular is RMB1,422,529,000. As the difference in the audited and unaudited reassessed net asset value of the Guangzhou Target Group is less than 5%, there will not be any consideration adjustment at Completion. The consideration represents a slight premium to the audited reassessed net asset value of the Guangzhou Target Company as at 30 September 2020 but given that the Guangzhou Acquisition is an imminent remedy for enhancing the operations of the Group and it is expected to bring the benefit as detailed in the section headed "G. Reasons for and benefits of the Acquisition" of this circular, the Directors consider the consideration for the Guangzhou Acquisition to be reasonable.

Basis of consideration

The consideration was arrived at after arm's length negotiations between the parties, taking into account among others, (i) the unaudited reassessed net asset value of the Guangzhou Target Company as at 30 September 2020 of RMB1,437,486,000 (with reference to the preliminary property valuation amount of the Guangzhou Target Company as at 30 September 2020 of RMB2,030,000,000[(1)], as appraised by an independent professional valuer subject to final audit by the reporting accountants of the Company in relation to the Acquisitions; (ii) the taking up by the Company of the Related Party Advances of the Guangzhou Target Company in the amount of approximately RMB1,437,000,000; (iii) the expected enhancement in the level of operations of the Group and the revenue and profits contribution by the Guangzhou Target Group for consolidation into the Group upon the completion; and (iv) the opportunity for the Group to extend its property investment business into commercial retail properties in the PRC.

Note:

(1) The final property valuation amount of the Guangzhou Target Company as at 30 September 2020 was RMB1,994,000,000, which took into account, amongst other factors, further site inspection and updated tenancy agreements with lower rental rates.

Conditions Precedent

Completion of each of the Jinzhou Acquisition and the Guangzhou Acquisition is conditional on the satisfaction (or waiver, if applicable) of the following conditions precedent on or before the Long Stop Date:

(a) approval having been obtained from the Shareholders at the SGM of the Jinzhou Share Purchase Agreement or the Guangzhou Share Purchase Agreement (as the case may be) and the transactions contemplated thereunder;

(b) all necessary approvals, licenses, authorisations, consents, waivers or notifications necessary from governmental or regulatory authorities having been obtained and remaining in effect;

(c) the Company having carried out due diligence to its satisfaction and having obtained a legal opinion from its PRC legal adviser the contents of which being satisfactory to the Company;

(d) the representations and warranties provided by the Seller under the Jinzhou Share Purchase Agreement or the Guangzhou Share Purchase Agreement (as the case may be) remaining true, accurate and not misleading as at completion of the Jinzhou Acquisition or the Guangzhou Acquisition (as the case may be) and as if repeated at all times between the date of the Jinzhou Share Purchase Agreement or the Guangzhou Share Purchase Agreement (as the case may be) and completion of the Jinzhou Acquisition or the Guangzhou Acquisition (as the case may be);

(e) the representations and warranties provided by the Purchaser under the Jinzhou Share Purchase agreement or the Guangzhou Share Purchase Agreement (as the case may be) remaining true, accurate and not misleading as at completion of the Jinzhou Acquisition or the Guangzhou Acquisition (as the case may be) and as if repeated at all times between the date of the Jinzhou Share Purchase Agreement or the Guangzhou Share Purchase Agreement (as the case may be) and completion of the Jinzhou Acquisition or the Guangzhou Acquisition (as the case may be);

(f) the reporting accountants of the Company having completed the audit of and issued an unqualified opinion on (i) the accountants' report of the Jinzhou Target Group or the Guangzhou Target Group, as the case may be, for the Reporting Period, and (ii) pro-forma consolidated statement of profit or loss, consolidated statement of financial position and consolidated cash flow statement of the Enlarged Group, the contents of which being satisfactory to the Company;

(g) the independent professional valuer of the Company having completed the valuation of properties and issued property valuation report of the Jinzhou Target Group or the Guangzhou Target Group, as the case may be, in accordance with the requirements of the Listing Rules and the contents of which being satisfactory to the Company; and

(h) (in respect of the Jinzhou Acquisition) the completion of the Guangzhou Acquisition and (in respect of the Guangzhou Acquisition) the completion of the Jinzhou Acquisition.

If any of the conditions precedent is not fulfilled or waived by the Purchaser or the Company (in respect of conditions (b), (c), (d) and (h)) or by the Seller (in respect of condition (e)) on or before the Long Stop Date (or such later date to be agreed between the parties to the Share Purchase Agreements in writing), the Share Purchase Agreements shall lapse and no party shall have any claim against the other, except for antecedent breaches. For conditions which are waivable, the Purchaser, the Company or the Seller (as the case may be) may waive such conditions where the impact of doing so is immaterial and will not affect the substance of the Acquisitions. Conditions (a), (f), (g) are not waivable by the parties. As at the date of this circular, conditions (b) to (g) have been fulfilled and the parties are not aware of any circumstances which may render the remaining conditions above not fulfilled on or before Completion.

The Company considers each of the Jinzhou Target Group and the Guangzhou Target Group to be beneficial to the Group in their own right, providing additional sources of revenue and other income to the Enlarged Group. As such, the parties have agreed to leave open the possibility for the Company to proceed ahead with one of the Jinzhou Acquisition or the Guangzhou Acquisition, if the other acquisition fails to materialize. Should this situation arise, the Company intends to proceed accordingly, subject to any material changes in the Group's own circumstances before completion. Nonetheless, the Company expects to proceed with both Acquisitions, which will enhance the levels of the operations of the Enlarged Group.

Completion

Completion is expected to take place no later than the seventh Business Day after the date on which all conditions precedent under the Share Purchase Agreements are satisfied or waived, as the case may be, unless otherwise agreed by the parties.

Upon completion of the Jinzhou Acquisition, Sky Build (and other members of the Jinzhou Target Group) would become wholly-owned subsidiaries of the Company and the results of the Jinzhou Target Group would be consolidated into the accounts of the Group.

Upon completion of the Guangzhou Acquisition, Superb Power (and other members of the Guangzhou Target Group) would become wholly-owned subsidiaries of the Company and the results of the Guangzhou Target Group would also be consolidated into the accounts of the Group. As a result of the novation of part of the Related Party Advances, there will also be an amount due to the Guangzhou Target Company by the Company for approximately RMB1,437,000,000 (equivalent to approximately HK$1,699,345,000) arising from the Guangzhou Acquisition.

C. INFORMATION OF THE GROUP

The Company and its subsidiaries are principally engaged in the businesses of property investment, medical equipment trading, mining and exploration of natural resources, financial services and asset management. The Purchaser is an investment holding company.

D. INFORMATION OF THE SELLER

The Seller is an investment holding company incorporated in the BVI, and is wholly-owned by its ultimate beneficial owner, Mr. Dai. Each of Mr. Dai and the Seller are Independent Third Parties and has no other business relationship with the Company and its connected persons.

E. INFORMATION OF THE JINZHOU TARGET GROUP

The Jinzhou Target Group comprises Sky Build and its wholly-owned subsidiaries, including Jinzhou Target Company, which holds the operating rights of the Jinzhou Shopping Mall. Sky Build is an investment holding company. Details of the Jinzhou Shopping Mall are set out below:

Description	**Leaseable floor area and sold floor area** *(sq.m.)*	**Gross floor area** *(sq.m.)*	**Nature of shops**
Jinzhou First Tunnel Shopping Mall (錦州地一大道)	38,809 and 1,956	40,765	Retailers and wholesalers of apparels, cosmetics, accessories, household goods and food and beverages, including chain stores

The Jinzhou Shopping Mall is a single-storey underground mall located in Zhongyang Avenue in Jinzhou city, stretching across the core business district in Jinzhou. The mall first opened in 2013 and currently has over 700 tenants of leased shop and venue spaces. As at 31 December 2020, the occupancy rate (being the leased areas divided by the leasable floor area) was approximately 84%. The Jinzhou Shopping Mall Business is sustained by the flow of shoppers and customers in the core business district in Jinzhou and the neighbouring residential areas.

The operating model of the Jinzhou Target Group is the leasing of shop spaces to retailers and wholesalers of apparels, cosmetics, accessories, household goods and food and beverage and other common areas to businesses for marketing and promotional activities, and primarily derives its revenue from rental income and the provision of property management services to tenants of the Jinzhou Shopping Mall, including mall security, maintenance and repair, management of open areas for pop-up promotional events and the supervision of external contractors. The promotion the Jinzhou Shopping Mall and sourcing of tenants are carried out through enquiries and negotiations with brand agencies and prospective tenants, market research through site visits to the surrounding city areas and mainstream media promotion.

The Jinzhou Target Company has entered into individual agreements for the leasing of shop and venue spaces to its tenants and the provision of property management services. Fixed rents are chargeable in general, which are subject to negotiations upon renewal and property management fees per sq.m. of leased or sold floor areas are chargeable under the agreements. Such agreements have a contract term of one to two years in general, upon the expiry of which the majority will be renewed. For the three financial years ended 31 December 2019, the average renewal rate was approximately 96%.

Based on the accountants' report of Jinzhou Target Group set out in Appendix II, the key financial information of the Jinzhou Target Group for the three financial years ended 31 December 2019 and the nine months ended 30 September 2020 is as follows:

	For the financial year ended 31 December			For the nine months ended 30 September
	2017	**2018**	**2019**	**2020**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue	23,064	23,633	23,436	16,110
Other income	6,950	8,487	8,033	5,032
– Revenue from property management and relevant services	6,934	8,436	8,016	4,806
Net profit before taxation and excluding changes in fair value of investment properties	21,872	23,813	23,263	15,063
Changes in fair value of investment properties	22,000	6,037	(12,124)	(7,883)
Net profit before taxation*(Note)*	43,872	29,850	11,139	7,180
Net profit after taxation*(Note)*	38,372	28,341	14,170	9,151

Note: Having reflected the valuation gain/loss on investment properties less deferred tax liability arising from such valuation gain where applicable.

For the financial years ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2020, the Jinzhou Target Group recorded net profits of RMB38.4 million, RMB28.4 million, RMB14.2 million and RMB9.2 million, respectively. In particular, the decrease in net profit of the Jinzhou Target Group during FY2019 as compared to FY2018 was primarily due to valuation losses incurred on investment properties in 2019. The decrease in net profit of the Jinzhou Target Group during 9M2020 as compared to 9M2019 was primarily attributable to (i) rental and management fee concessions provided to the shopping mall tenants in 2020, due to the effects of the COVID-19 pandemic on the retail and shopping industry and (ii) further valuation losses on investment properties.

The audited net asset value of the Jinzhou Target Group as at 30 September 2020 was approximately RMB552.8 million, whereas the net current liabilities were RMB461.9 million, RMB460.8 million, RMB456.8 million and RMB98.1 million as at 31 December 2017, 2018, 2019 and 30 September 2020, respectively. Due to delays from the COVID-19 pandemic, renovation and refurbishment upgrades for part of the Jinzhou Shopping Mall are currently scheduled to complete in the second or third quarter of 2021. The mall will remain in operations during renovation and refurbishment.

Please refer to sections headed "Financial Information of the Jinzhou Target Group" and "Accountants' Report of the Jinzhou Target Group" set out in Appendix II and IV respectively to this circular for further financial information of the Jinzhou Target Group for the Reporting Period. As at the Latest Practicable Date, there has been no material change in the financial results, financial position and the operations of the Jinzhou Target Group since the end of the Reporting Period.

F. INFORMATION OF THE GUANGZHOU TARGET GROUP

the Guangzhou Target Group comprises Superb Power and its wholly-owned subsidiaries, including Guangzhou Target Company, which holds the operating rights of the Guangzhou Shopping Mall. Superb Power is an investment holding company. Details of the Guangzhou Shopping Mall are set out below.

Description	**Leaseable floor area and sold floor area(1)** *(sq.m.)*	**Gross floor area** *(sq.m.)*	**Nature of shops**
Guangzhou First Tunnel Shopping Mall (廣州地一大道), Phases 1 and 2	43,022 and 45,160	89,415	Retailers and wholesalers of apparels, accessories, household appliances, food and beverages, accessories market and fitness gym

Note:

(1) The difference in gross floor area and leasable and sold floor area represent the shopping mall management's office area.

The Guangzhou Shopping Mall is a two-storey underground mall located in the Guangzhou Railway Station commercial centre, junction of Zhanqian Road and Zhannan Road in Yuexiu District and has two phases which are adjacent to each other. The mall is part of a reputable circle of shopping malls in Guangzhou city which target at, in addition to local shoppers, overseas buyers for retail and wholesale products for shipment overseas. Phase 1 of the mall has gained its popularity among shoppers since it first opened in 2006, following which Phase 2 of the mall opened in 2016. The mall currently has over 270 tenants of leased shop and venue spaces and around 1,000 shop owners to which shop spaces had been sold. As at 31 December 2020, the occupancy rates (being the leased areas divided by the leasable floor area) were approximately 82% and 76% for Phases 1 and 2, respectively.

The operating model of the Guangzhou Target Group is the leasing of shop spaces to retailers and wholesalers of apparels, accessories, household appliances and food and beverage and other common areas to businesses for marketing and promotional activities, and primarily derives its revenue from rental income and the provision of property management services to tenants of the Guangzhou Shopping Mall, including mall security, maintenance and repair, management of open areas for pop-up promotional events and the supervision of external contractors. The promotion of the Guangzhou Shopping Mail and sourcing of tenants are carried out through mainstream media promotion, interviews and enquiries with brand agencies and prospective tenants, as well as periodic visits to neighbouring shopping centres and department stores.

The Guangzhou Target Company has entered into individual agreements for the leasing of shop and venue spaces to its tenants and the provision of property management services to the tenants and shop owners. Fixed rents are chargeable in general, which are subject to negotiations upon renewal and property management fees per sq.m. of leased or sold floor areas are chargeable under the agreements. Such agreements have a contract term of one to two years in general, upon the expiry of which the majority will be renewed. For the three financial years ended 31 December 2019, the average renewal rates were approximately 100% and 67% for Phases 1 and 2, respectively.

As Phase 1 of the Guangzhou shopping Mall has gained popularity among shoppers throughout the years since its opening in 2006, the shops located there are more established and reputable within the locality, compared with the newer shops located in Phase 2, which opened in 2016. In addition, construction works in the immediate surrounding vicinity of the Guangzhou Shopping Mall in 2019 had a greater impact on the flow of shopping mall visitors visiting the newer and less established shops in Phase 2. For these reasons, Phase 1 of the Guangzhou Shopping Mall has historically had higher renewal and occupancy rates as compared with Phase 2.

Based on the accountants' report of the Guangzhou Target Group set out in Appendix III, the key financial information of the Guangzhou Target Group for the three financial years ended 31 December 2019 and the nine months ended 30 September 2020 is as follows:

	For the financial year ended 31 December			For the nine months ended 30 September
	2017	**2018**	**2019**	**2020**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue	14,106	12,477	14,115	4,265
Other income	120,291	179,435	141,465	89,106
– Revenue from property management and relevant services	37,449	37,994	41,097	14,587
Net profit before taxation and excluding changes in fair value of investment properties	29,805	28,432	32,635	7,157
Changes in fair value of investment properties	43,746	32,000	(1,000)	(6,000)
Net profit before taxation *(Note)*	73,551	60,432	31,635	1,157
Net profit after taxation *(Note)*	62,614	52,455	31,885	2,657

Note: Having reflected the valuation gain/loss on investment properties less deferred tax liability arising from such valuation gain where applicable.

For the financial years ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2020, the Guangzhou Target Group recorded net profits of RMB62.6 million, RMB52.5 million, RMB31.9 million and RMB2.7 million, respectively. In particular, the decrease in net profit of the Guangzhou Target Group during FY2019 as compared to FY2018 was primarily due to (i) valuation losses incurred on investment properties in 2019 compared to valuation gains made in 2018 and (ii) a decrease in interest income from amounts due from fellow subsidiaries in 2019. The decrease in net profit of the Guangzhou Target Group during 9M2020 as compared to 9M2019 was primarily attributable to (i) rental and management fee concessions provided to the shopping mall tenants in 2020, due to the effects of the COVID-19 pandemic on the retail and shopping industry and (ii) further valuation losses on investment properties.

As at 30 September 2020, the audited net asset value of the Guangzhou Target Group was approximately RMB1,422.5 million, whereas net current liabilities were RMB188.0 million.

Please refer to the sections headed "Financial Information of the Guangzhou Target Group" and "Accountants' Report of the Guangzhou Target Group" set out in Appendix III and V, respectively, to this circular for further financial information of the Guangzhou Target Group for the Reporting Period. As at the Latest Practicable Date, there has been no material change in the financial results, financial positions and the operations of the Guangzhou Target Group since the end of the Reporting Period.

External bank loans

The Guangzhou Target Company first obtained external bank loans in 2016 and the principal amount of such bank loans were approximately RMB2,398.5 million, RMB1,380.0 million, RMB1,370.0 million and RMB1,370.0 million as at 31 December 2017, 2018 and 2019 and 30 September 2020, respectively, which were interest-bearing at the interest rates of 7% to 7.5% per annum. The bank interest expenses were RMB80.3 million, RMB148.2 million, RMB97.7 million and RMB73.3 million for the financial year ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively, with pledges over all equity interest of the Guangzhou Target Company as security in favour of the Bank of Jinzhou Co., Ltd., Shanghai Road Branch. The proceeds of such bank loans have not been used in the acquisition of the Jinzhou Target Company nor the Guangzhou Target Company or their operations, but have instead been used to finance business projects of other members of the Seller's Group as intra-group current account arrangement and hence, resulting in the Related Party Advances, which are inclusive of interest passed on at the same interest rate as applicable to the bank loans. The amount of Related Party Advances were approximately RMB2,575.4 million, RMB2,751.2 million, RMB1,835.2 million and RMB1,482.4 million for the financial years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. The interest income arising from such Related Party Advances were RMB82.8 million, RMB139.9 million, RMB99.4 million and RMB74.2 million for the financial years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, respectively. Mr. Dai, being the ultimate owner of members of the Seller's Group, including the Guangzhou Target Group, has provided among others, guarantees in favour of the bank.

Mr. Dai has also provided a pre-completion undertaking under the Guangzhou Share Purchase Agreement in favour of the Purchaser that he shall enter into negotiations with the bank for among others, (i) an extension of the bank loans of the Guangzhou Target Company until the Company obtains refinancing; and (ii) an expansion of the purpose of the bank loans to encompass the financing of business projects of other members of the Seller's Group and acquisition financing of the Company for the Guangzhou Target Company. As at the Latest Practicable Date, the Guangzhou Target Company and Bank of Jinzhou Co., Ltd., Shanghai Road Branch have reached an agreement in principle (subject to the bank's internal approval) to renew the said bank loans of the Guangzhou Target Company for 18 months, with continuing pledges in favour of the bank over all equity interest of the Guangzhou Target Company and guarantees by Mr. Dai. Based on information provided by the Seller and Mr. Dai, it is expected that the Guangzhou Target Company and Bank of Jinzhou Co., Ltd. will formally enter into an agreement upon finalizing the renewal of such loans. According to Jingtian & Gongcheng, the PRC legal adviser to the Company in respect of the Acquisitions, the historical usage of the proceeds of the bank loans by the Seller's Group contrary to the intended purpose of the bank loans may result in among others, repayment obligations becoming immediately due and demand for repayment by the bank, termination of the loan agreement(s) and enforcement of the equity pledge over the Guangzhou Target Company and the guarantees of Mr. Dai. In the event of enforcement, the Company will seek to protect its equity interest of the Guangzhou Target Company, and will consider repaying such loans with (i) proceeds from its disposal receivable of a hotel in Hangzhou, the PRC, of which approximately RMB800 million was received in February 2021, and/or (ii) proceeds from the potential disposal of real estate properties held in the United Kingdom. In addition, Mr. Dai has provided an indemnity under the Guangzhou Share Purchase Agreement for any losses or damages of the Company, the Purchaser or the Guangzhou Target Group which may arise from the historical usage of the proceeds of the bank loans by the Seller's Group.

Refinancing plans

After Completion, the Company expects to refinance the outstanding bank loans of the Guangzhou Target Company upon which the guarantee by Mr. Dai will be released. As for the refinancing plan of the Company, subject to property market conditions, the Company will consider repayment of the outstanding bank loans of the Guangzhou Target Company by among others, proceeds from potential disposal, if any, of real estate properties held in the United Kingdom and by obtaining refinancing bank loans.

Net current liabilities of the Jinzhou Target Group and the Guangzhou Target Group

As at 30 September 2020, the Jinzhou Target Group and the Guangzhou Target Group recorded net current liabilities of RMB98.1 million and RMB188.0 million, respectively. Nonetheless, the Directors believe that the Completion will not adversely affect the financial position of the Enlarged Group and that it will remain in a net current asset position, taking into account the aforementioned RMB800 million in proceeds from disposal receivable received in February 2021, which were not factored into the unaudited pro forma financial information of the Enlarged Group, and assuming the successful extension of the bank loans of the Guangzhou Target Company, upon which such bank loans will be re-categorized as non-current liabilities.

G. REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Acquisitions are an imminent remedy for the enhancement of the operations of the Group

Since 2019, the Group has experienced diminishing revenue and operations across various of its business segments and against the on-going global pandemic and its impact on economies, the management of the Group considers that a diversified business strategy instead of organic growth is key in remedying the low level of operations of the Group and turning around its financial performance. The Board has therefore looked to acquiring businesses with a material level of operations and which would provide sustainable sources of revenue to the Group in the short term, such as the Jinzhou Shopping Mall and the Guangzhou Shopping Mall.

The Jinzhou Shopping Mall and the Guangzhou Shopping Mall have a track record of operations as the malls commenced businesses in 2013 and 2006, respectively. The Jinzhou Target Company and the Guangzhou Target Company engage in day-to-day shopping mall operations, including the leasing of shop and venue spaces and providing property management services. After the Acquisitions, the continuous day-to-day operations of the two shopping malls would materially enhance the level of operations of the Enlarged Group.

The Jinzhou Target Group and the Guangzhou Target Group are expected to provide the Enlarged Group with readily available, secured and stable source of revenue and other income. For the financial years ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2020, the Jinzhou Target Group and the Guangzhou Target Group generated a combined revenue of RMB37.2 million, RMB45.1 million, RMB37.6 million and RMB20.4 million, respectively, and revenue from property management and relevant service over the same periods amounted to RMB44.4 million, RMB46.4 million, RMB49.1 million and RMB19.4 million, respectively. The individual agreements with the tenants and shop owners are of fixed term and generally provide for fixed rents, with some of the agreements providing for rental payment upfront for a certain period or on annual basis. The Acquisitions are considered as an imminent remedy for the enhancement of the Group's level of operations as upon Completion, the results of Jinzhou Target Group and the Guangzhou Target Group would be consolidated into the results of the Group. After Completion, the two shopping malls are expected to continue to bring readily available revenue to the Enlarged Group going forward.

The profits generating nature of the two shopping malls would offer, not only new profits, but growth drivers compared to the Group's businesses which have been down-sized or ceased to be in operations. For the financial years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020, the audited combined net profits after tax of the Jinzhou Target Group and the Guangzhou Target Group was approximately RMB101.0 million, RMB80.8 million, RMB46.1 million and RMB11.8 million respectively.

The shopping mall businesses are suitable targets as they are primarily property investment by nature which is aligned with the business strategy of the Group, and can facilitate the Enlarged Group's expansion into other property-related business areas

The shopping mall businesses of the Jinzhou Target Company and the Guangzhou Target Company primarily involve, among others, the leasing of shops and venue spaces and the provision of property management services. They share similar business, operating and income models with the Group's existing property investment segment in the following manner:

Shopping mall businesses	**Group's property investment segment**
Business models:	
• Property investment in the shopping malls	• Property investment in various type of properties (currently, residential properties)
• Operating and property management of the two shopping malls	
Operating models:	
• Leasing of shop spaces to retailers and wholesalers of apparels, cosmetics, accessories, household goods and food and beverage and other common areas to businesses for marketing and promotion activities	• Leasing of residential houses to tenants and tourists
• Providing property management services including mall security, maintenance and repair, management of open areas for pop-up promotional events and supervising external contractors	• Providing property management services including concierge services, security, maintenance and repair, property management of common areas and liaising with external real estate advisers locally based
Income models:	
• Primarily fixed rental income from shop tenants	• Fixed rental income from tenants and tourists
• Property management fee income from shop tenants and shop owners	• Service fee chargeable on properties

Given the common characteristics exhibit by the business, operating and income models of the Jinzhou Target Company and the Guangzhou Target Company, the Company considers the Acquisitions to be a natural extension of its property investment business into commercial retail properties.

The Company has in the past been investing in various types of commercial and residential properties in Hong Kong, PRC and overseas, including hotels, offices and luxury residential properties for rental income and capital appreciation and the Group currently still holds premium residential real estate in central London, the United Kingdom within close proximity of the Buckingham Palace for lease to tenants and high-end tourists. As disclosed in the interim report of the Company for the six months ended 30 June 2020, the Company is still identifying suitable real estate project(s) for acquisition, both locally and abroad with primary focus on commercial or residential properties in the PRC and Hong Kong, with an aim to generate stable cash flow to the Group as well as to be benefited from the capital appreciation. The Acquisitions are therefore considered aligned with the Company's existing business strategies related to its property investment business (to expand its property portfolio) and there would be no fundamental change in principal business of the Company resulting from the Acquisitions. The Acquisitions are also consistent with the Group's resources as the consideration will be fully settled using the Group's internal resources.

After Completion, the Jinzhou Shopping Mall and the Guangzhou Shopping Mall will be held as investment properties by the Enlarged Group and the results of the Jinzhou Target Group and the Guangzhou Target Group would be consolidated into the accounts and under the property investment segment of the Enlarged Group.

Future business and development plans of the shopping mall businesses

Due to the effects of COVID-19 pandemic on the retail and shopping industry, the Jinzhou Target Group and the Guangzhou Target Group have provided certain rental and management fee concessions to its shopping mall tenants. There are no concrete plans to offer any further concessions, upon the eventual subsidence of the COVID-19 pandemic over the course of 2021. As such, it is expected that the revenue and other income from the shopping mall businesses will increase over time.

In addition, as certain renovation and refurbishment upgrades for part of the Jinzhou Shopping Mall are currently scheduled to complete in the second or third quarter of 2021, rent free periods have been offered to affected tenants. Nonetheless, upon the completion of such works, the Jinzhou Target Group intends to increase rental and property management rates in order to reflect the upgrade in the location quality of the Jinzhou Shopping Mall.

For the Guangzhou Shopping Mall, plans to increase the flow of shoppers and customers amid the effects of COVID-19 pandemic and the growth of e-commerce include the introduction of more internationally recognized brands with higher-end products as shopping mall tenants, increasing the variety of tenants in terms of product offerings, which include introducing a designated zone for e-commerce merchants, and improving the existing catering facilities. Going forward, the Guangzhou Target Group may also consider increasing rental rates for shops located in Phase 2 of the Guangzhou Shopping Mall, as lower rates were initially provided to attract tenants for the first few years upon its opening in 2016.

Other property-related business expansion

Going forward, the acquisitions of the Jinzhou Shopping Mall and the Guangzhou Shopping Mall will enable the Enlarged Group to potentially expand into other property-related business areas that would complement the operations of the shopping mall businesses, including property management, building and decorative materials supply. The supply of building and other decorative materials can be used for the refurbishment and renovation work of the shop spaces and common areas of the Jinzhou Shopping Mall and Guangzhou Shopping Mall. The Group believes that the ability to maintain and improve the condition of its shopping mall properties and thereby increasing their value would be in the long-term interests and benefit of the Group and its Shareholders as a whole.

The Group's management possess relevant expertise and experience

The management of the Group has in-depth experience in property investment, including investments in other types of commercial properties, such as hotels and offices, and residential properties, and in working with a range of customers and clients including corporate and individual tenants and tenants who are tourists and/or business travellers. The relevant experience of the Group's directors and management personnel in property investment was acquired and accumulated over property investment projects of the Group over the years in, (a) a hotel in Hangzhou, the PRC; (b) a prime office building in Hammersmith Grove in central London, the United Kingdom; (c) Buckingham Gate, which is an investment in luxurious residential houses and apartments in central London. Furthermore, the Chief Executive Officer and Executive Director of the Company, Mr. Kwong Kai Sing Benny is, in particular, highly experienced in property investment and has a wealth of relevant knowledge and industry experience in respect of property investment in Hong Kong and overseas. Mr. Kwong has over 32 years of experience in property investment, having been appointed to senior management and directorship positions in multiple listed issuers in Hong Kong and London in property investment and related businesses.

The shopping mall businesses of the Jinzhou Target Company and the Guangzhou Target Company are therefore not entirely new businesses for the existing management personnel of the Group and instead, they can leverage on their existing expertise acquired over the years in property investment in different property types and geographical locations in managing the acquired businesses going forward. For example, their skills and experience in sourcing and managing tenants, negotiation of rents and terms of leases are relevant to the future management of the acquired businesses. In respect of the day-to-day operations of the two shopping malls, the Group would delegate such activities to the existing operation teams of the Jinzhou Target Company and Guangzhou Target Company, comprising skilled and experienced staff who would continue to carry out such daily operational activities after the Acquisitions. The Group's management personnel would supervise and monitor such activities on a high-level basis to ensure that the shopping malls would continue to be operated in an efficient manner.

In light of the reasons and benefits of the Acquisitions set out above, the Directors are of the view that the terms of the Acquisitions which have been reached after arm's length negotiations among the parties, are fair and reasonable, on normal commercial terms, and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, taking into account among other things, the future business prospects of the Enlarged Group.

H. EXISTING BUSINESSES AND PROSPECTS OF THE ENLARGED GROUP

Upon Completion, the Enlarged Group has made, or expects to make, the following adjustments to its existing businesses:

Property investment: As the pandemic continues to weigh on the UK real estate market as a result of decline in tourism and repeated lockdown measures and as part of the refinancing plans in respect of the external bank loans of Guangzhou Target Company, the Enlarged Group plans to relaunch for sale the Group's investment properties in London, the UK situated on the southern side of Buckingham Gate. Subject to the funding needs and financial position of the Enlarged Group following completion, the Company may consider suitable real estate projects for acquisition if and when the opportunities arise.

Commodity trading business: The Enlarged Group has already resolved to cease its commodity trading business in May 2020, due to the extreme volatility in oil prices since 2019.

Mining and exploitation of natural resources: The Enlarged Group will also not actively pursue any mining of natural resources operations (which did not record any revenue for the financial year ending 31 December 2020), in part due to the logistical difficulties and rising mining costs amid the pandemic.

Medical equipment trading: The Enlarged Group will continue its medical equipment trading business in China under the medical equipment trading segment, where demand is expected to moderately increase along with aging population and rising health concerns among population in China, and market competition continues to be keen.

Financial services and asset management: The Enlarged Group will maintain its status quo regarding its securities investments operations as no disposal or addition in investment portfolio is anticipated, and will closely monitor the market with regards to re-entering the financial services and distressed debt assets management markets, if any.

For the trading prospects of the Enlarged Group, please refer to the section headed "D. Trading Prospects of the Enlarged Group" for details. As at the Latest Practicable Date, save as disclosed in the circular, the Company has not identified any business opportunities for acquisition, nor have resolved to dispose any of its current businesses. Nonetheless, the Enlarged Group will continue to explore other merger and acquisition opportunities.

I. IMPLICATIONS UNDER THE LISTING RULES

As some of the applicable percentage ratios (as defined under the Listing Rules) on an aggregated basis exceed 100%, the Acquisitions constitute a very substantial acquisition of the Company under the Listing Rules and are therefore subject to the approval by the Shareholders at the SGM. The Stock Exchange has determined that the Acquisitions do not constitute a reverse takeover of the Company.

J. FINANCIAL EFFECT OF THE ACQUISITIONS

Upon completion of the Acquisitions, the Jinzhou Target Group and the Guangzhou Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Jinzhou Target Group and the Guangzhou Target Group will be consolidated into the accounts of the Group. Please refer to Appendix VI to this circular for more information on the basis of preparation of the unaudited pro forma consolidated financial information of the Enlarged Group.

Earnings

As set out in the Accountants' Report on historical financial information of the Jinzhou Target Group in Appendix IV to this circular, the revenue of the Jinzhou Target Group for the year ended 31 December 2019 was RMB23.4 million. The net profit after taxation of the Jinzhou Target Group across the same period was RMB14.2 million.

As set out in the Accountants' Report on historical financial information of the Guangzhou Target Group in Appendix V to this circular, the revenue of the Guangzhou Target Group for the year ended 31 December 2019 was RMB14.1 million. The net profit after taxation of the Guangzhou Target Group across the same period was RMB31.9 million.

Accordingly, based on the unaudited pro forma financial information as set out in Appendix VI to this circular, assuming that Completion had taken place on 31 December 2019, the revenue of the Enlarged Group for the financial year ended 31 December 2019 would have increased from HK$25.9 million to HK$68.5 million on a pro forma basis, and the loss of the Enlarged Group would have decreased from HK$246.8 million to HK$201.9 million on a pro forma basis.

Assets and Liabilities

Based on the unaudited pro forma financial information as set out in Appendix VI to this circular, assuming that the Completion had taken place on 30 June 2020, the total assets of the Enlarged Group would have increased from approximately HK$2,479.1 million to approximately HK$5,003.0 million on a pro forma basis, the total liabilities of the Enlarged Group would have increased from approximately HK$508.8 million to approximately HK$3,040.0 million on a pro forma basis, and the net assets of the Enlarged Group would have increased from HK$1,970.3 million to HK$1,963.0 million on a pro forma basis.

K. SGM

A notice of the SGM to be held at 10:30 a.m., on Wednesday, 21 April 2021 at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular for the purpose of considering and, if thought fit, to approve, among others, the Acquisitions and transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the SGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

L. CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who will be entitled to attend and vote at the SGM, the register of members of the Company will be closed for registration of transfer of Shares from Friday, 16 April 2021 to Wednesday, 21 April 2021 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 21 April 2021 shall be entitled to attend and vote at the SGM. In order for the Shareholders to qualify for attending and voting at the SGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Tricor Tengis Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 4:30 p.m., Thursday, 15 April 2021.

M. PRECAUTIONARY MEASURES FOR SGM

In view of the ongoing coronavirus disease (COVID-19) epidemic and recent development for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to prevent attending Shareholders, staff and other stakeholders from the risk of infection:

i. compulsory body temperature check will be conducted on every attendee at the entrance of the SGM venue;

ii. every attendee to enter the SGM venue is required to wear surgical face mask at all times until after they have left the venue (please note that no masks will be provided at the SGM venue and attendees should bring their own masks);

iii. no refreshments, beverage or souvenirs will be provided; and

iv. appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained and as such, the Company may limited the number of attendees at the SGM as may be necessary to avoid over-crowding.

In order to ensure the safety of the attendees at the SGM, the Company reserves the rights to deny entry into or require any person to leave the SGM venue if such person:

i. refuses to comply with any of the above precautionary measures;

ii. is having a body temperature of over 37.2 degree Celsius;

iii. is subject to any quarantine prescribed by Hong Kong Government or has close contact with any person under quarantine; or

iv. has any flu-like symptoms.

Shareholders are strongly recommended to consider appointing the chairman of the SGM as their proxy to vote on the resolutions for them, instead of attending the SGM in person.

N. VOTING AT THE SGM AND THE BOARD MEETINGS

Voting at the SGM will be conducted by poll.

To the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the Acquisitions and as such, no Shareholder is required to abstain from voting at the SGM.

None of the Directors was in any way materially interested in the Acquisitions and accordingly, none of the Directors abstained from voting on the relevant Board resolution(s) in the Board meeting.

O. RECOMMENDATIONS

The Directors recommends that the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Acquisitions.

P. FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Group, the Jinzhou Target Group, the Guangzhou Target Group, the Enlarged Group and other information required to be disclosed under the Listing Rules.

Q. WARNING

The Acquisitions are subject to a number of conditions including approvals by the Shareholders at the SGM and the approval from the Stock Exchange, which may or may not be fulfilled. In the event that any of the conditions to the Completion is not fulfilled, the Share Purchase Agreements will not become unconditional and the Acquisitions will not proceed.

SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR ANY OTHER SECURITIES OF THE COMPANY.

Yours faithfully,
For and on behalf of the Board of
Tai United Holdings Limited
Kwong Kai Sing Benny
Chief Executive Officer

A. SUMMARY OF FINANCIAL RESULTS

Financial information of the Group for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.irasia.com/listco/hk/taiunited/index.htm):

- annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 72–250) (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804272182.pdf);

- announcement of the Company dated 4 September 2018 in relation to the 2017 Annual Report of the Company (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0904/ltn201809041560.pdf);

- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 69–258) (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292249.pdf)

- annual report of the Company for the year ended 31 December 2019 published on 28 April 2020 (pages 72–230) (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802616.pdf);

- supplemental announcement in relation to the annual report for the year ended 31 December 2019 published on 13 August 2020 (http://www1.hkexnews.hk/listedco/listconews/sehk/2020/0813/2020081301344.pdf); and

- interim report of the Company for the six months ended 30 June 2020 published on 24 September 2020 (pages 21–56) (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0924/2020092400626.pdf).

B. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2021, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining the information contained in this indebtedness statement, the Enlarged Group had total borrowings amounting to approximately HK$1,887,849,000 and lease liabilities amounting to approximately HK$6,064,000, details of which are as follows:

	As at 31 January 2021
	HK$'000
The Group	
Unsecured bank borrowings(1)(2)	1,206
Secured bank borrowings(2)(3)	234,149
Unsecured lease liabilities(1)	6,064
The Jinzhou Target Group and the Guangzhou Target Group	
Secured and guaranteed bank borrowings(4)	1,652,494
Total	1,893,913

Notes:

1. Such balances were not covered by any guarantees as at 31 January 2021
2. Such bank borrowings will mature within one year from 31 January 2021.
3. Secured by certain properties located in the United Kingdom held by the Group.
4. Secured by the operating right of a shopping mall held by the Seller's Group and a pledge on equity interest in the Guangzhou Target Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not, as at the close of business on 31 January 2021, have any outstanding loan capital issued, outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchase commitments, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, in the absence of unforeseen circumstances and after taking into account the expected completion of the Acquisitions, the cash flow generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds and the available credit facilities, the Enlarged Group will have sufficient working capital for at least the next twelve months from the date of this circular.

D. TRADING PROSPECTS OF THE ENLARGED GROUP

The Group has experienced diminishing revenue and operations across various of its business segments and against pandemic and its impact on economies, the management of the Group considers that a diversified business strategy instead of organic growth is key in remedying the low level of operations of the Group and turning around its financial performance. Upon completion of the Acquisitions, the Enlarged Group is expected to benefit from the advantages in integrating the shopping mall businesses of the Jinzhou Target Group and the Guangzhou Target Group. The Directors believe that the Acquisitions will provide steady operating profits and cash flow, with an imminent remedy for the enhancement of the levels of the operations of the Enlarged Group. The Board believes that the Acquisitions present good opportunities for the Enlarged Group in terms of growth and diversification.

Economic recovery and potential expansion into property-related businesses

The global economy is estimated to grow at record speed by research institutes, international organizations, and market participants, conditional on a successful deployment of effective COVID-19 vaccines and continued accommodative fiscal, financial and monetary conditions. China has been, and continues to be, a fundamental driving force of merger and acquisition activity, and is currently the only major economy that has recovered quickly from the COVID-19 pandemic. In addition to the acquisitions of the Jinzhou Shopping Mall Business and Guangzhou Shopping Mall Business, the Directors will continue to divert their efforts in exploring more merger and acquisition opportunities in businesses that have benefited from the economic rebound in China.

In particular, the Acquisitions will allow the Enlarged Group to potentially expand into other property-related business areas that would complement the operations of the shopping mall businesses (including property management, upgrade, renovation and maintenance of shop spaces and common areas) such as building and decorative materials supply. Such businesses, if expanded into, are expected to provide ready supply of flooring, ceiling or other building and decorative materials to and generate potential synergies with the Jinzhou Shopping Mall and the Guangzhou Shopping Mall.

Existing businesses

As the pandemic continues to weigh on the UK real estate market as a result of decline in tourism and repeated lockdown measures and as part of the refinancing plans in respect of the external bank loans of Guangzhou Target Company, the Enlarged Group plans to relaunch for sale the Group's investment properties in London, the United Kingdom situated on the southern side of Buckingham Gate. In addition, the Group has resolved to cease its commodity trading business in May 2020, due to the extreme volatility in oil prices since 2019. The Enlarged Group will also not actively pursue any mining of natural resources operations (which did not record any revenue for the financial year ending 31 December 2020), in part due to the logistical difficulties and rising mining costs amid the pandemic. Furthermore, the Enlarged Group will continue its medical equipment trading business in China under the medical equipment trading segment, where demand is expected to moderately increase along with ageing population and rising health concerns among population in China, and market competition continues to be keen. Finally, the Enlarged Group will maintain its status quo regarding its securities investments operations as no disposal or addition in investment portfolio is anticipated, and will closely monitor the market with regards to re-entering the financial services and distressed debt assets management markets, if any.

*Upon completion of the Jinzhou Acquisition, Tai United Properties Company Limited (a wholly-owned subsidiary of the Company) will become the sole shareholder of the Jinzhou Target Company and taking up the control and operations of the Jinzhou Shopping Mall. The following discussions and analyses relate to the results of operations and financial condition of the Jinzhou Target Group as at and for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 ("**FY2017**", "**FY2018**", "**FY2019**" and "**9M2020**", respectively). You should read the following discussion and analyses in conjunction with the Accountants' Report on the Jinzhou Target Group and the accompanying notes set out in Appendix IV to this circular.*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE JINZHOU TARGET GROUP

Business Review

The Jinzhou Target Group is principally engaged in the leasing and management of the business operations of the Jinzhou Shopping Mall, a single storey underground mall located in Zhongyang Avenue in Jinzhou city, stretching across the core business district in Jinzhou. The mall has a gross floor area of 40,765 sq.m., and currently has over 700 tenants of leased shop and venue spaces.

Results of Operations

Revenue

Revenue of the Jinzhou Target Group comprises rental income from tenants of the shop and venue spaces of the Jinzhou Shopping Mall which are held as investment properties. The following table sets out the breakdown of revenue for the years/periods indicated:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Rental income	23,064	23,633	23,436	17,307	16,110

Revenue slightly increased by 2.5% from RMB23.1 million in FY2017 to RMB23.6 million in FY2018, and slightly decreased by 0.8% to RMB23.4 million in 2019. Revenue decreased by 6.9% from RMB17.3 million in 9M2019 to RMB16.1 million in 9M2020.

The increase in revenue from FY2017 to FY2018 was primarily attributable to increases in the occupancy rates and the average rental rates of the Jinzhou Shopping Mall, and the decrease in revenue from FY2018 to FY2019 was mainly attributable to a slight decrease in the average rental rates, whilst occupancy rates remained stable. The decrease in revenue from the nine months ended 30 September 2019 ("**9M2019**") to 9M2020 was mainly attributable to rental concessions provided to the shopping mall tenants in 2020, due to the effects of the COVID-19 pandemic on the retail and shopping industry, whilst occupancy rates remained stable.

Other income

Other income of the Jinzhou Target Group is primarily comprised of revenue from property management and relevant services, with contribution from bank interest income and sundry income.

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Bank interest income	8	39	4	1	10
Revenue from property management and relevant service	6,934	8,436	8,016	5,951	4,806
Sundry income	8	12	13	7	216
Total	6,950	8,487	8,033	5,959	5,032

The increase in other income from RMB7.0 million in FY2017 to RMB8.5 million in FY2018 was primarily attributable to the increase in revenue from the provision of property management services and other relevant services, mainly due to utility expenses of the shopping mall tenants being booked under property management fees from FY2018 onwards, with a corresponding increase in the operating expenses of the Jinzhou Target Group. The decrease in other income from FY2018 to FY2019 was primarily attributable to a decrease in revenue from property management and relevant service due to the renovation of a portion of the Jinzhou Shopping Mall in 2019. The decrease in other income from RMB6.0 million in 9M2019 to RMB5.0 million in 9M2020 was primarily due to property management fee concessions provided to the shopping mall tenants in 2020, in light of the effects of the COVID-19 pandemic on the retail and shopping industry and in line with rental concessions.

Valuation Gain/Losses on Investment Properties

Valuation gains on investment properties for the Jinzhou Target Group for FY2017 and FY2018 was RMB22.0 million and RMB6.0 million, respectively. The Jinzhou Target Group incurred valuation losses on investment properties of RMB12.1 million for FY2019, primarily due to cash used in the additions to investment properties and a slight decrease in the rental rates charged to the shopping mall tenants during the year. The Jinzhou Target Group incurred further valuation losses on investment properties of RMB7.9 million for 9M2020, primarily due to the rental concessions provided to shopping mall tenants in light of the effects of the COVID-19 pandemic during the period.

Net asset value

The net asset value of the Jinzhou Target Group as at 31 December 2017, 2018, 2019 and 30 September 2020 was RMB177.6 million, RMB188.2 million, RMB196.2 million and RMB552.8 million. The increase in net asset value over the Reporting Period was primarily due to the net profit and total income generated by the Jinzhou Target Group through its business operations over such period and the capitalization of the amount due to the immediate holding company into the capital and reserves of the Jinzhou Target Group.

Income Tax

No provisions for profit tax in Hong Kong were made, as the Jinzhou Target Group did not earn any income subject to profit tax in Hong Kong during the Reporting Period. Pursuant to the Enterprise Income Tax Law ("**EIT**") of the PRC, the main operating companies of the Jinzhou Target Group were subject to the PRC EIT at a rate of 25% during the Reporting Period.

Income tax expenses of the Jinzhou Target Group was RMB5.5 million and RMB1.5 million for FY2017 and FY2018, respectively. The Jinzhou Target Group recorded income tax credit of RMB3.0 million and RMB2.0 million for FY2019 and 9M2020, respectively. The income tax expenses (credit) represents the deferred tax arising from the revaluation of investment properties.

Net profit for the year/period

As a result of the foregoing, the Jinzhou Target Group recorded net profits of RMB38.4 million, RMB28.3 million, RMB14.2 million and RMB9.2 million for FY2017, FY2018, FY2019 and 9M2020, respectively.

Net current liabilities

The current assets of the Jinzhou Target Group comprise of (i) other receivables, deposits and prepayments, (ii) amounts due from fellow subsidiaries of the Seller's Group and (iii) bank balances and cash, and the current liabilities of the Jinzhou Target Group comprise of (i) accrued liabilities and other payables, (ii) amounts due to fellow subsidiaries, (iii) amount due to Guangzhou Target Company, (iv) amount due to the immediate holding company and (v) amount due to the ultimate controlling party.

The net current liabilities of the Jinzhou Target Group decreased from RMB461.9 million as at 31 December 2017 to RMB460.8 million as at 31 December 2018, primarily due to an increase in the amounts due from fellow subsidiaries, partially offset by an increase in the amount due to the immediate holding company.

The net current liabilities of the Jinzhou Target Group further decreased from RMB460.8 million as at 31 December 2018 to RMB456.8 million as at 31 December 2019, primarily due to a decrease in both the amount due to fellow subsidiaries and accrued liabilities and other payables, such as construction and other payables, partially offset by a decrease in the amounts due from fellow subsidiaries.

The net current liabilities of the Group further decreased from RMB456.8 million as at 31 December 2019 to RMB98.1 million as at 30 September 2020, primarily due to the capitalization of amount due to the immediate holding company and a decrease in the accrued liabilities and other payables, partially offset by a further decrease in the amounts due from fellow subsidiaries.

Liquidity and Financial Resources

The Jinzhou Target Group financed working capital and capital expenditures principally through cash generated from operations. As at 30 September 2020, cash and cash equivalents of the Jinzhou Target Group amounted to RMB0.8 million.

Cash inflows from operations of the Jinzhou Target Group were primarily generated through the rental and other income from the operation of the Jinzhou Shopping Mall Business, and cash outflows were primarily due to capital expenditures and renovation costs incurred for the Jinzhou Shopping Mall. Net cash generated from operating activities in FY2017, FY2018, FY2019 and 9M2020 was RMB21.0 million, RMB10.2 million, RMB16.8 million and RMB3.6 million, respectively.

Net cash used in investing activities in FY2017, FY2018, FY2019 and 9M2020 was RMB16.6 million, RMB6.2 million, RMB19.7 million and RMB5.7 million, which primarily reflected (i) advances to fellow subsidiaries throughout the period and (ii) additions to investment properties from FY2018 onwards.

Net cash used in financing activities in FY2017 and FY2018 was RMB2.1 million and RMB11.8 million, respectively, which was primarily due to repayments made to fellow subsidiaries, whereas net cash generated from financing activities in FY2019 and 9M2020 was RMB3.8 million and RMB0.8 million, respectively, which was primarily due to advances made by fellow subsidiaries.

Gearing Ratio

Gearing ratio is calculated based on the total interest-bearing borrowings of the Jinzhou Target Group over its total equity. As such, the gearing ratio of the Jinzhou Target Group was zero throughout the Track Record Period, as it did not incur any interest-bearing borrowings during this period.

Charges on Group Assets

Throughout the Track Record Period, no assets were pledged to secure borrowing facilities for the Jinzhou Target Group.

Significant Investments

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Jinzhou Target Group did not have any material equity investments.

Employees and remuneration

The number of employees of the Jinzhou Target Group as at 31 December 2017, 2018, 2019 and 30 September 2020 was 22, 21, 27 and 27, respectively. The Jinzhou Target Group's employees are remunerated according to their job nature, individual performance, market trends with built-in merit components. The Jinzhou Target Group provides regular training to its employees on their technical, management and hospitality skills. Other benefits include medical and retirement schemes.

Contingent Liabilities

As at 30 September 2020, the Jinzhou Target Group did not have any contingent liabilities.

Commitments

As at 30 September 2020, the Jinzhou Target Group did not have any outstanding commitments.

Acquisitions or dispositions

During the Track Record Period, the Jinzhou Target Group did not carry out any material acquisitions or dispositions of subsidiaries, associates and joint ventures.

Financial Risk Management

For FY2017, FY2018, FY2019 and 9M2020, the Jinzhou Target Group was mainly exposed to interest rate, credit and liquidity risks arising in the normal course of business. For details of the exposure of such risks and the relevant risk management policies and practices adopted by the Jinzhou Target Group, please refer to Note 28(b) of the Accountant's Report on the Jinzhou Target Group as set out in Appendix IV to this circular.

As the operations of the Jinzhou Target Group were principally based in the PRC for FY2017, FY2018, FY2019 and 9M2020, the principal assets and liabilities of the Jinzhou Target Group were denominated in Renminbi and therefore the Jinzhou Target Group considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

*Upon completion of the Guangzhou Acquisition, Tai United Properties Company Limited (a wholly-owned subsidiary of the Company) will become the sole shareholder of the Guangzhou Target Company and taking up the control and operations of the Guangzhou Shopping Mall. The following discussions and analyses relate to the results of operations and financial condition of the Guangzhou Target Group as at and for the years ended 31 December 2017, 2018 and 2019 and the nine months ended 30 September 2020 ("**FY2017**", "**FY2018**", "**FY2019**" and "**9M2020**", respectively). You should read the following discussion and analyses in conjunction with the Accountants' Report on the Guangzhou Target Group and the accompanying notes set out in Appendix V to this circular.*

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE GUANGZHOU TARGET GROUP

Business Review

The Guangzhou Shopping Mall is principally engaged in the leasing and management of the business operations of the Guangzhou Shopping Mall, a two-storey underground mall located in the Guangzhou Railway Station commercial centre, junction of Zhanqian Road and Zhannan Road in Yuexiu District and has two phases which are adjacent to each other. It has a total gross floor area of 89,415 sq.m..

Results of Operations

Revenue

Revenue of the Guangzhou Target Group comprises (i) sale of operating rights of shop spaces and (ii) rental income from tenants of the shop and venue spaces of the Guangzhou Shopping Mall which are held as investment properties. The following table sets out the breakdown of revenue for the years/periods indicated:

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue					
– Sale of operating rights	–	8,972	–	–	–
– Leases	14,106	12,477	14,115	10,051	4,265
Total	14,106	21,449	14,115	10,051	4,265

Revenue increased by 52.1% from RMB14.1 million in FY2017 to RMB21.4 million in FY2018, and decreased by 34.2% to RMB14.1 million in 2019. Revenue decreased by 57.6% from RMB10.1 million for the nine months ended 30 September 2019 ("**9M2019**") to RMB4.3 million in 9M2020.

The increase in revenue from FY2017 to FY2018 was primarily due to the sale of operating rights of certain shop spaces of the Guangzhou Shopping Mall premises to certain tenants, partially offset by a decrease in the rental income receivable due to such sale. Under the contracts entered into with certain tenants prior to the Reporting Period, the operating rights of the shop spaces would be sold to them after an initial rent period of five years. There is no intention for the Guangzhou Target Group to enter into contracts after the Completion with tenants to provide for future sale of operating rights in the Guangzhou Shopping Mall, and the last sale of operating rights under pre-existing contracts with tenants is due to take place in 2021.

The revenue from leases increased from FY2018 to FY2019 primarily due to an increase in the rental rates, whilst occupancy rates remained relatively stable. The decrease in revenue from 9M2019 to 9M2020 was mainly attributable to rental concessions provided to the shopping mall tenants due to the effects of the COVID-19 pandemic on the retail and shopping industry, whilst occupancy rates remained relatively stable.

Other income

Other income of the Guangzhou Target Group represents (i) interest income from bank and other deposits and amounts due from fellow subsidiaries; (ii) revenue from property management and relevant services; and (iii) sundry income.

	Year ended 31 December			**Nine months ended 30 September**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Interest income from:					
– bank and other deposits	1	282	16	9	11
– amounts due from fellow subsidiaries	82,841	139,593	99,413	76,782	74,228
Revenue from property management and relevant service	37,449	37,994	41,097	30,596	14,587
Sundry income	–	1,562	939	900	280
Total	120,291	179,435	141,465	108,287	89,106

Other income of the Guangzhou Target Group increased by 49.2% from RMB120.3 million in FY2017 to RMB179.4 million in FY2018, primarily due to an increase in the interest income from amount due from fellow subsidiaries. Other income decreased by 21.2% from RMB179.4 million in FY2018 to RMB141.5 million in FY2019, primarily due to a decrease in the interest income from fellow subsidiaries, partially offset by an increase in the revenue from property management and relevant services. Other income decreased by 17.7% from RMB108.3 million in 9M2019 to RMB89.1 million in 9M2020, primarily due to property management fee concessions provided to the shopping mall tenants and shop owners due to the COVID-19 pandemic.

Revenue from property management and relevant service

Revenue from property management income and relevant service of the Guangzhou Target Group in FY2017, FY2018, FY2019, 9M2019 and 9M2020 was RMB37.5 million, RMB38.0 million, RMB41.1 million, RMB30.6 million and RMB14.6 million, respectively. The slight increase in revenue between FY2017 and FY2019 was primarily attributable to an increase in the property management fees charged and the occupancy rate of the Guangzhou Shopping Mall over the period. The decrease in revenue from 9M2019 to 9M2020 was primarily due to property management fee concessions provided to the shopping mall tenants and shop owners due to the COVID-19 pandemic.

Valuation Gain/Losses on Investment Properties

Valuation gains on investment properties for the Guangzhou Target Group for FY2017 and FY2018 was RMB43.7 million and RMB32.0 million. the Guangzhou Target Group incurred valuation losses on investment properties of RMB1.0 million for FY2019, primarily due to construction works in the immediate surrounding vicinity of the Guangzhou Shopping Mall during the year, which impacted the flow of shopping mall visitors. the Guangzhou Target Group incurred further valuation losses on investment properties of RMB6.0 million for 9M2020, primarily due to the rental concessions provided to shopping mall tenants in light of the effects of the COVID-19 pandemic during the period.

Finance costs

Finance costs for the Guangzhou Target Group consisted of interest expenses on interest-bearing loans throughout the Track Record Period. Finance costs for FY2017, FY2018, FY2019 and 9M2020 were RMB80.3 million, RMB148.2 million, RMB97.7 million and RMB73.3 million, respectively.

Net asset value

The net asset value of the Guangzhou Target Group as at 31 December 2017, 2018, 2019 and 30 September 2020 was RMB1,029.4 million, RMB1,065.0 million, RMB1,091.1 million and RMB1,422.5 million, respectively. The increase in net asset value over the Reporting Period was primarily due to the net profit and total income generated by the Guangzhou Target Group through its business operations over such period and the capitalization of amounts due to the fellow subsidiaries, immediate and ultimate holding companies into the capital and reserves of the Guangzhou Target Group.

Income Tax

No provisions for profit tax in Hong Kong were made, as the Guangzhou Target Group did not earn any income subject to profit tax in Hong Kong during the Reporting Period. Pursuant to the Enterprise Income Tax Law ("**EIT**") of the PRC, the main operating companies of the Guangzhou Target Group were subject to the PRC EIT at a rate of 25% during the Reporting Period.

Income tax expenses of the Guangzhou Target Group was RMB10.9 million and RMB8.0 million for FY2017 and FY2018, respectively. the Guangzhou Target Group recorded income tax credit of RMB0.3 million and RMB1.5 million for FY2019 and 9M2020, respectively. The income tax expenses (credit) represent the deferred tax arising from the revaluation of investment properties.

Profit for the year/period

As a result of the foregoing, the Guangzhou Target Group recorded net profits of RMB62.6 million, RMB52.5 million, RMB31.9 million and RMB2.7 million for FY2017, FY2018, FY2019 and 9M2020, respectively.

Net current assets and liabilities

The current assets of the Guangzhou Target Group comprise of (i) inventories, (ii) accounts receivable; (iii) other receivables, deposits and prepayments, (iv) amount due from the immediate holding company; (v) amounts due from fellow subsidiaries of the Seller's Group and (vi) bank balances and cash, and the current liabilities of the Guangzhou Target Group comprise of (i) accrued liabilities and other payables, (ii) amounts due to fellow subsidiaries, (iii) amount due to the immediate holding company; (iv) amount due to the ultimate controlling party; and (v) current borrowings.

The net current assets of the Guangzhou Target Group decreased from RMB817.4 million as at 31 December 2017 to RMB809.3 million as at 31 December 2018, primarily due to an increase in the amounts due to fellow subsidiaries, partially offset by an increase in the amounts due from fellow subsidiaries, business operation income and the repayment of certain secured and guaranteed bank borrowings in 2018.

The net current assets of the Guangzhou Target Group increase from RMB809.3 million as at 31 December 2018 to RMB815.9 million as at 31 December 2019, primarily due to business operation income and a decrease in the amounts due to fellow subsidiaries, partially offset by a similar decrease in the amounts due from fellow subsidiaries.

the Guangzhou Target Group recorded net current liabilities of RMB188.0 million as at 30 September 2020, compared to net current assets of RMB815.9 million as at 31 December 2019, primarily due to certain bank borrowings then becoming payable within one year and, which the bank has since agreed in principle to extend for an additional 18 months.

Liquidity and Financial Resources

the Guangzhou Target Group financed working capital and capital expenditures principally through cash generated from operations and financing activities. As at 30 September 2020, cash and cash equivalents of the Guangzhou Target Group amounted to RMB3.6 million.

Cash inflows from operations of the Guangzhou Target Group were primarily generated through (i) revenue and other income from the operation of the Guangzhou Shopping Mall Business and (ii) finance costs, and cash outflows were primarily due to capital expenditures and renovation costs incurred for the Guangzhou Shopping Mall. Net cash generated from operating activities in FY2017, FY2018, FY2019 and 9M2020 was RMB53.0 million, RMB13.2 million, RMB20.9 million and RMB4.0 million, respectively.

Net cash used in investing activities in FY2017, FY2018, FY2019 and 9M2020 was RMB1,460.7 million, RMB35.5 million, RMB2.5 million and RMB6.4 million, which primarily reflected advances to fellow subsidiaries throughout the period. In particular, the cash advances to fellow subsidiaries in FY2017 was primarily funded through bank borrowings, as described below.

Net cash from financing activities in FY2017 and FY2018 was RMB1,410.4 million and RMB13.4 million, respectively. In FY2019, the Guangzhou Target Group had RMB15.9 million in net cash used in financing activities. In 9M2020, the Guangzhou Target Group had approximately RMB2,000 in net cash from financing activities. Such financing activities primarily comprised (i) advances from fellow subsidiaries and proceeds throughout the period and (ii) proceeds from bank borrowings raised in 2017, which were subsequently in the process of being repaid throughout the Track Record Period.

Gearing Ratio

Gearing ratio is calculated based on the total interest-bearing borrowings of the Guangzhou Target Group over its total equity. The gearing ratio as at 31 December 2017, 2018, 2019 and 30 September 2020 was 233.0%, 129.6%, 125.6% and 96.3%, respectively.

Charges on Group Assets

Throughout the Reporting Period, the equity interest of the Guangzhou Target Company was pledged for external bank loans, the principal amount of such bank loans being approximately RMB1,380,000,000, RMB1,370,000,000 and RMB1,370,000,000 as at 31 December 2018, 2019 and 30 September 2020, respectively. Save for the above, no other assets were pledged to secure borrowing facilities for the Guangzhou Target Group during the Track Record Period.

Significant Investments

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Guangzhou Target Group did not have any material equity investments.

Employees and remuneration

The number of employees of the Guangzhou Target Group as at 31 December 2017, 2018, 2019 and 30 September 2020 was 89, 89, 75 and 75, respectively. the Guangzhou Target Group's employees are remunerated according to their job nature, individual performance, market trends with built-in merit components. the Guangzhou Target Group provides regular training to its employees on their technical, management and hospitality skills. Other benefits include medical and retirement schemes.

Contingent Liabilities

As at 30 September 2020, the Guangzhou Target Group did not have any contingent liabilities.

Commitments

As at 30 September 2020, the Guangzhou Target Group did not have any outstanding commitments.

Acquisitions or dispositions

During the Track Record Period, the Guangzhou Target Group did not carry out any material acquisitions or dispositions of subsidiaries, associates and joint ventures.

Financial Risk Management

For FY2017, FY2018, FY2019 and 9M2020, the Guangzhou Target Group was mainly exposed to interest rate, credit and liquidity risks arising in the normal course of business. For details of the exposure of such risks and the relevant risk management policies and practices adopted by the Guangzhou Target Group, please refer to Note 34(b) of the Accountant's Report on the Guangzhou Target Group as set out in Appendix V to this circular.

As the operations of the Guangzhou Target Group were principally based in the PRC for FY2017, FY2018, FY2019 and 9M2020, the principal assets and liabilities of the Guangzhou Target Group were denominated in Renminbi and therefore the Guangzhou Target Group considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

The following is the text of a report set out on pages IV-1 to IV-44, received from Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF SKY BUILD LIMITED

TO THE DIRECTORS OF TAI UNITED HOLDINGS LIMITED

Introduction

We report on the historical financial information of Sky Build Limited ("**Sky Build**") and its subsidiaries (together, "**Jinzhou Target Group**") set out on pages IV-1 to IV-44, which comprises the consolidated statements of financial position of the Jinzhou Target Group at 31 December 2017, 2018 and 2019, and 30 September 2020 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Jinzhou Target Group for each of the three years ended 31 December 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IV-1 to IV-44 forms an integral part of this report, which has been prepared for inclusion in the circular of Tai United Holdings Limited (the "**Company**") dated 26 March 2021 (the "**Circular**") in connection with the very substantial acquisition of shopping mall businesses in the PRC by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Jinzhou Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Sky Build, as well as evaluating the overall presentation of the Historical Financial Information, which the directors of the Company have reviewed, and consider to be reasonable.

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 Jinzhou Target Group's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of the Jinzhou Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information, which indicates that as of 30 September 2020, the Jinzhou Target Group's current liabilities exceeded its current assets by approximately RMB98,142,000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt on the Jinzhou Target Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Jinzhou Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the rules governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provision) Ordinance

Adjustments

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

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by the Jinzhou Target Group in respect of the Relevant Periods.

Yours faithfully,

Elite Partners CPA Limited
Certified Public Accountants
Leung Man Kin
Practicing Certificate Number: P07174

Hong Kong, 26 March 2021

HISTORICAL FINANCIAL INFORMATION OF THE JINZHOU TARGET GROUP

Preparation of Historical Financial Information

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

The financial statements of the Jinzhou Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and were audited by Elite Partners CPA Limited 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.

CONSOLIDATED 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*	*RMB'000*
		(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue						
Leases	6	23,064	23,633	23,436	17,307	16,110
Other income	8	6,950	8,487	8,033	5,959	5,032
Other gains and losses	9	(355)	67	–	–	–
Employee benefits expenses		(1,632)	(1,380)	(1,612)	(1,156)	(1,235)
Other operating expenses		(6,155)	(6,994)	(6,594)	(4,722)	(4,844)
Changes in fair value of investment properties		22,000	6,037	(12,124)	(3,175)	(7,883)
Profit before tax		43,872	29,850	11,139	14,213	7,180
Income tax (expense) credit	10	(5,500)	(1,509)	3,031	794	1,971
Profit for the year/period	11	38,372	28,341	14,170	15,007	9,151
Other comprehensive income (expense):						
Items that may be reclassified subsequently to profit or loss						
Exchange differences arising on translation of foreign operations		24,497	(17,755)	(6,137)	(11,554)	6,805
Other comprehensive income (expense) for the year/period		24,497	(17,755)	(6,137)	(11,554)	6,805
Total comprehensive income for the year/period		62,869	10,586	8,033	3,453	15,956

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 September
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	16	139	69	71	80
Investment properties	17	691,000	702,000	703,000	699,000
		691,139	702,069	703,071	699,080
Current assets					
Other receivables, deposits and prepayments	19	1,420	1,481	1,535	1,299
Amounts due from fellow subsidiaries	20	686,977	724,713	717,331	–
Bank balances and cash	21	8,900	1,155	2,092	791
		697,297	727,349	720,958	2,090
Current liabilities					
Accrued liabilities and other payables	22	69,890	56,281	49,900	38,170
Amounts due to fellow subsidiaries	23	99,771	87,955	65,172	–
Amount due to Guangzhou Target Company	23	–	–	–	62,062
Amount due to the immediate holding company	23	989,528	1,043,834	1,062,601	–
Amount due to the ultimate controlling party	23	30	36	42	–
		1,159,219	1,188,106	1,177,715	100,232
Net current liabilities		(461,922)	(460,757)	(456,757)	(98,142)

		As at 31 December			As at 30 September
		2017	**2018**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets less current liabilities		229,217	241,312	246,314	600,938
Non-current liabilities					
Deferred tax liabilities	18	51,618	53,127	50,096	48,125
Net assets		177,599	188,185	196,218	552,813
Capital and reserves					
Share capital	24	1	1	1	1
Reserves		177,598	188,184	196,217	552,812
Total equity		177,599	188,185	196,218	552,813

STATEMENTS OF FINANCIAL POSITION OF SKY BUILD

		As at 31 December			As at 30 September
		2017	**2018**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investment in a subsidiary	31	–	–	–	–
Current assets					
Amount due from a subsidiary		–	–	–	340,554
Current liabilities					
Amount due to the immediate holding company	23	35	36	37	–
Amount due to the ultimate controlling party	23	14	21	26	–
		49	57	63	–
Net current (liabilities) assets		(49)	(57)	(63)	340,554
Total assets less current liabilities		(49)	(57)	(63)	340,554
Net (liabilities) assets		(49)	(57)	(63)	340,554
Capital and reserves					
Share capital	24	1	1	1	1
Reserves		(50)	(58)	(64)	340,553
Total equity		(49)	(57)	(63)	340,554

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *RMB'000*	Translation reserves *RMB'000*	Other capital contribution reserve *RMB'000* *(Note)*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2017	1	(9,335)	–	124,064	114,730
Profit for the year	–	–	–	38,372	38,372
Exchange differences on translation of foreign operations	–	24,497	–	–	24,497
Other comprehensive income for the year	–	24,497	–	–	24,497
Total comprehensive income for the year	–	24,497	–	38,372	62,869
At 31 December 2017	1	15,162	–	162,436	177,599
Profit for the year	–	–	–	28,341	28,341
Exchange differences on translation of foreign operations	–	(17,755)	–	–	(17,755)
Other comprehensive expense for the year	–	(17,755)	–	–	(17,755)
Total comprehensive income for the year	–	(17,755)	–	28,341	10,586

	Share capital *RMB'000*	Translation reserves *RMB'000*	Other capital contribution reserve *RMB'000* *(Note)*	Retained earnings *RMB'000*	Total *RMB'000*
At 31 December 2018	1	(2,593)	–	190,777	188,185
Profit for the year	–	–	–	14,170	14,170
Exchange differences on translation of foreign operations	–	(6,137)	–	–	(6,137)
Other comprehensive expense for the year	–	(6,137)	–	–	(6,137)
Total comprehensive income for the year	–	(6,137)	–	14,170	8,033
At 31 December 2019	1	(8,730)	–	204,947	196,218
Profit for the period	–	–	–	9,151	9,151
Exchange differences on translation of foreign operations	–	6,805	–	–	6,805
Other comprehensive expense for the period	–	6,805	–	–	6,805
Total comprehensive income for the period	–	6,805	–	9,151	15,956
Capitalisation of amount due to the immediate holding company	–	–	340,639	–	340,639
At 30 September 2020	1	(1,925)	340,639	214,098	552,813

	Share capital *RMB'000*	Translation reserves *RMB'000*	Other capital contribution reserve *RMB'000* *(Note)*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2019 (audited)	1	(2,593)	–	190,777	188,185
Profit for the period	–	–	–	15,007	15,007
Exchange differences on translation of foreign operations	–	(11,554)	–	–	(11,554)
Other comprehensive expense for the period	–	(11,554)	–	–	(11,554)
Total comprehensive income for the period	–	(11,554)	–	15,007	3,453
At 30 September 2019 (unaudited)	1	(14,147)	–	205,784	191,638

Note: The other capital contribution reserve represents the capitalisation of the amount due to the immediate holding company.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
OPERATING ACTIVITIES					
Profit before tax	43,872	29,850	11,139	14,213	7,180
Adjustments for:					
Changes in fair value of investment properties	(22,000)	(6,037)	12,124	3,175	7,883
Depreciation of property, plant and equipment	80	79	6	5	6
Loss on disposal of property, plant and equipment	–	–	8	–	–
Interest income	(8)	(39)	(4)	(1)	(10)
Operating cash flows before movements in working capital	21,944	23,853	23,273	17,392	15,059
Decrease (increase) in other receivables, deposits and prepayments	2,756	(61)	(54)	284	236
Decrease in accrued liabilities and other payables	(3,697)	(13,609)	(6,381)	(5,865)	(11,730)
Cash generated from operations	21,003	10,183	16,838	11,811	3,565
Interest received	8	39	4	1	10
Net cash from operating activities	21,011	10,222	16,842	11,812	3,575

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
INVESTING ACTIVITIES					
Advances to fellow subsidiaries	(16,596)	(1,185)	(10,500)	(10,500)	(1,800)
Repayment from fellow subsidiaries	–	–	3,951	894	–
Acquisition of property, plant and equipment	(2)	(9)	(16)	(5)	(15)
Additions to investment properties	–	(4,963)	(13,124)	(4,175)	(3,883)
Net cash used in investing activities	(16,598)	(6,157)	(19,689)	(13,786)	(5,698)
FINANCING ACTIVITIES					
Advance from the ultimate controlling party	7	6	6	6	8
Repayments to fellow subsidiaries	(2,138)	(11,816)	–	–	–
Advances from fellow subsidiaries	–	–	3,778	3,778	814
Net cash (used in) from financing activities	(2,131)	(11,810)	3,784	3,784	822
Net increase (decrease) in cash and cash equivalents	2,282	(7,745)	937	1,810	(1,301)
Cash and cash equivalents at 1 January	6,618	8,900	1,155	1,155	2,092
Cash and cash equivalents at 31 December/30 September, represented by bank balances and cash	8,900	1,155	2,092	2,965	791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sky Build Limited ("**Sky Build**") was incorporated in the British Virgin Islands (the "**BVI**") on 30 September 2009. The address of the Sky Build's registered office is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.

Stone Wealth Limited is the immediate holding company of Sky Build. In the opinion of the sole director of Sky Build, the ultimate holding company of Sky Build is Apex Assure Limited, a company incorporated in the BVI with limited liability, and Mr. Dai Yongge, who is the sole director of Sky Build, is the ultimate controlling party of Sky Build.

Sky Build is an investment holding company. The principal activity of the Jinzhou Target Group is the development, lease and management of underground shopping mall in the People's Republic of China (the "**PRC**").

No statutory financial statements of Sky Build have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

The Historical Financial Information is presented in RMB, which is the functional currency of the subsidiary carrying on the principal activities of the Jinzhou Target Group. Sky Build and its overseas subsidiaries' functional currency is Hong Kong dollar ("**HKD**"). Since the Jinzhou Target Group's operations are conducted in the PRC, the Jinzhou Target Group has adopted RMB as its presentation currency.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information for the Relevant Periods has been prepared in accordance with the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA.

Going Concern Basis

As of 30 September 2020, the Jinzhou Target Group's current liabilities exceeded its current assets by approximately RMB98,142,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Jinzhou Target Group's ability to continue as a going concern. Therefore, the Jinzhou Target Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate controlling party of Sky Build, at a level sufficient to finance the working capital requirements of the Jinzhou Target Group. The ultimate controlling party has agreed to provide adequate funds for the Jinzhou Target Group to meet its liabilities as they fall due. The sole director of Sky Build is therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should the Jinzhou Target Group be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of the Jinzhou Target Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the Historical Financial Information.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Jinzhou Target Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2020 throughout the Relevant Periods, including HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 16 *Leases*.

New and amendments to HKFRSs in issue but not yet effective:

The Jinzhou Target Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective for annual periods beginning on or after a date to be determined

The sole director of Sky Build anticipates that the application of all the above new and amendments to HKFRSs will have no material impact on the Jinzhou Target Group's consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis except for the investment properties which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

For the investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Sky Build and entities controlled by Sky Build and its subsidiaries. Control is achieved when the Sky Build:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Jinzhou Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Jinzhou Target Group obtains control over the subsidiary and ceases when the Jinzhou Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Jinzhou Target Group gains control until the date when the Jinzhou Target Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Jinzhou Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Jinzhou Target Group are eliminated in full on consolidation.

Revenue from contracts with customers

The Jinzhou Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Jinzhou Target Group's performance as the Jinzhou Target Group performs;
- The Jinzhou Target Group's performance creates or enhances an asset that the customer controls as the Jinzhou Target Group performs; or
- The Jinzhou Target Group's performance does not create an asset with an alternative use to the Jinzhou Target Group and the Jinzhou Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Jinzhou Target Group's obligation to transfer goods or services to a customer for which the Jinzhou Target Group has received consideration (or an amount of consideration is due) from the customer.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Jinzhou Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Jinzhou Target Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Jinzhou Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Jinzhou Target Group applies the short-term lease recognition exemption to leases of office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Jinzhou Target Group; and
- an estimate of costs to be incurred by the Jinzhou Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Jinzhou Target Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Jinzhou Target Group presents right-of-use assets that do not meet the definition of properties under development, completed properties held for sale and investment properties as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of properties under development, completed properties held for sale and investment properties are presented within "properties under development", "completed properties held for sale" and "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Jinzhou Target Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Jinzhou Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Jinzhou Target Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Jinzhou Target Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Jinzhou Target Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Jinzhou Target Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Jinzhou Target Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Jinzhou Target Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Jinzhou Target Group as a lessor

Classification and measurement of leases

Leases for which the Jinzhou Target Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Jinzhou Target Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments.

Sublease

When the Jinzhou Target Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Jinzhou Target Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Jinzhou Target Group's operations are translated into the presentation currency of the Jinzhou Target Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Jinzhou Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Sky Build are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Jinzhou Target Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Jinzhou Target Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for each of the financial year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Jinzhou Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Jinzhou Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Jinzhou Target Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Jinzhou Target Group recognises the right-of-use assets and the related lease liabilities, the Jinzhou Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Jinzhou Target Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government grants

Government grants are not recognised until there is reasonable assurance that the Jinzhou Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Jinzhou Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

Retirement benefit costs and termination benefits

The Jinzhou Target Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Jinzhou Target Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Property, plant and equipment

Property, plant and equipment, including properties held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Jinzhou Target Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Jinzhou Target Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of property, plant and equipment and right-of-use assets

At the end of each reporting period, the Jinzhou Target Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Jinzhou Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Jinzhou Target Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Jinzhou Target Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Jinzhou Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Jinzhou Target Group has a present obligation as a result of a past event, and it is probable that the Jinzhou Target Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Jinzhou Target Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset, the Jinzhou Target Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Jinzhou Target Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Jinzhou Target Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Jinzhou Target Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including accounts receivable (including lease receivables), other receivables, bank balances and cash and other financial assets) and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Jinzhou Target Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Jinzhou Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Jinzhou Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Jinzhou Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Jinzhou Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Jinzhou Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Jinzhou Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Jinzhou Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Jinzhou Target Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Jinzhou Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Jinzhou Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Jinzhou Target Group, in full (without taking into account any collaterals held by the Jinzhou Target Group).

Irrespective of the above, the Jinzhou Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Jinzhou Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Jinzhou Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Jinzhou Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Jinzhou Target Group in accordance with the contract and the cash flows that the Jinzhou Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Jinzhou Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable and other non-trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Jinzhou Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Jinzhou Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Jinzhou Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Jinzhou Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Jinzhou Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Jinzhou Target Group after deducting all of its liabilities. Equity instruments issued by Sky Build are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including borrowings and other payables are subsequently measured at amortised cost, using the effective interest method.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Jinzhou Target Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial liabilities

The Jinzhou Target Group derecognises financial liabilities when, and only when, the Jinzhou Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Jinzhou Target Group's accounting policies, which are described in Note 4, the sole director of Sky Build is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the sole director of Sky Build has made in the process of applying the Jinzhou Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

The Jinzhou Target Group recognises deferred tax in respect of the changes in fair value of the investment properties based on directors' best estimate assuming future tax consequences through usage of such properties for rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the Historical Financial Information should the investment properties are subsequently disposed of by the Jinzhou Target Group, rather than consumed substantially all of the economic benefits embodied in the investment properties by leasing over time. In the event the investment properties are being disposed of, the Jinzhou Target Group may be liable to higher tax upon disposal considering the impact of land appreciation tax.

Key sources of estimation uncertainty

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

Valuation of investment properties

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Jinzhou Target Group's investment properties are stated at fair value of approximately RMB691,000,000, RMB702,000,000, RMB703,000,000 and RMB699,000,000 based on the valuations performed by independent qualified professional valuers. In determining the fair values, the valuers have made reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from properties.

In relying on the valuations, the management of the Jinzhou Target Group has exercised their judgments and is satisfied that the valuation technique used is reflective of the current market conditions. Details of the investment properties are disclosed in Note 17.

6. REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Rental income from investment properties that is fixed	23,064	23,633	23,436	17,307	16,110

7. SEGMENT REPORTING

Information reported to the Jinzhou Target Group's senior executive management, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by products and services. No other discrete financial information is provided other than the Jinzhou Target Group's results and financial position as a whole. Accordingly, only entity-wide disclosures and major customers are presented.

The Jinzhou Target Group's operation is located in the PRC, therefore no geographical segment reporting is presented.

Information about major customers

For the years ended 31 December 2017, 2018, 2019 and nine months ended 30 September 2019 and 2020, no single customer contributes 10% or more of the total revenue of the Jinzhou Target Group.

8. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Bank Interest income	8	39	4	1	10
Revenue from property management and relevant service	6,934	8,436	8,016	5,951	4,806
Sundry income	8	12	13	7	216
	6,950	8,487	8,033	5,959	5,032

9. OTHER GAINS AND LOSSES

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Net foreign exchange (losses) gains	(355)	67	–	–	–

10. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Current tax					
– PRC Enterprise Income Tax ("**EIT**")	–	–	–	–	–
Deferred tax	5,500	1,509	(3,031)	(794)	(1,971)
	5,500	1,509	(3,031)	(794)	(1,971)

No provision for Hong Kong Profits Tax has been made as the Jinzhou Target Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

EIT

Pursuant to the Enterprise Income Tax Law of the PRC, the Jinzhou Target Group's main operating companies were subject to PRC EIT at a rate of 25% during the Relevant Periods.

The income tax expense (credit) for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income 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*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit before tax	43,872	29,850	11,139	14,213	7,180
Tax at the applicable PRC EIT rate of 25%	10,968	7,463	2,785	3,553	1,795
Tax effect of expenses not deductible for tax purposes	1,391	1,620	1,127	104	104
Tax effect of income not taxable for tax purposes	(5,116)	(5,016)	(5,252)	(3,737)	(3,840)
Utilisation of tax losses previously not recognised	(1,743)	(2,558)	(1,691)	(714)	(30)
Income tax expense (credit) for the year/period	5,500	1,509	(3,031)	(794)	(1,971)

11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit for the year/period has been arrived at after charging (crediting):					
Directors' emoluments *(Note 12)*	–	–	–	–	–
Other staff costs:					
– Salaries, allowances and benefits in kind	1,269	1,087	1,313	969	1,038
– Retirement benefit scheme contributions	363	293	299	186	197
Total staff costs	1,632	1,380	1,612	1,155	1,235
Depreciation of property, plant and equipment	80	79	6	5	6
Expenses related to short-term lease	14	31	55	53	46
Gross rental income from investment properties less direct operating expenses	(23,064)	(23,633)	(23,436)	(17,307)	(16,110)

12. DIRECTOR'S REMUNERATION

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Mr. Dai Yougge					
Fees	–	–	–	–	–
Other emoluments					
Salaries, allowances and benefits in kind	–	–	–	–	–
Retirement benefit scheme contributions	–	–	–	–	–
	–	–	–	–	–

The director's emoluments shown above was for his services in connection with the management of the affairs of the Jinzhou Target Group.

13. EMPLOYEES' REMUNERATION

The five highest paid employees of the Jinzhou Target Group during the Relevant Periods included 5 employees for the years ended 31 December 2017, 2018 and 2019, and for the nine months ended 30 September 2019 (unaudited) and 2020 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*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Salaries, allowances and benefits in kind	393	347	387	290	276
Retirement benefit scheme contributions	53	46	46	34	34
Total	446	393	433	324	310

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

	No. of employees				
	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	(audited)	(audited)	(audited)	(unaudited)	(audited)
HKD nil to HKD1,000,000	5	5	5	5	5

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of Sky Build during the Relevant Periods.

15. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

16. PROPERTY, PLANT AND EQUIPMENT

	Office equipment
	RMB'000
Cost	
At 1 January 2017	1,089
Addition	2
At 31 December 2017	1,091
Addition	9
At 31 December 2018	1,100
Addition	16
Disposal	(161)
At 31 December 2019	955
Addition	15
At 30 September 2020	970
Accumulated depreciation	
At 1 January 2017	872
Provided for the year	80
At 31 December 2017	952
Provided for the year	79
At 31 December 2018	1,031
Provided for the year	6
Eliminated on disposals	(153)
At 31 December 2019	884
Provided for the period	6
At 30 September 2020	890
Carrying values	
At 30 September 2020	80
At 31 December 2019	71
At 31 December 2018	69
At 31 December 2017	139

The above items of property, plant and equipment are depreciated, after taking into account of their estimated residual values, on a straight-line method, at the following rates per annum:

Office equipment	20%

17. INVESTMENT PROPERTIES

During the Relevant Periods, the Jinzhou Target Group leases out various shop and venue spaces under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 2 years. The annual lease payment are fixed.

The Jinzhou Target Group is not exposed to foreign currency risk as a result of the lease arrangements as all leases are denominated in RMB, which functional currencies of 錦州嘉馳公共設施管理有限公司 ("**Jinzhou Target Company**"). The lease contracts do not contain residual value guarantee or lessee's option to purchase the property at the end of lease term.

For the years ended 31 December 2017, 2018, 2019 and nine months ended 30 September 2020, the total cash inflow for leases are RMB24,309,000, RMB22,733,000, RMB24,340,000 and RMB5,600,000 respectively.

	Investment properties
	RMB'000
Fair value	
At 1 January 2017	669,000
Changes in fair value recognised in profit or loss	22,000
At 31 December 2017	691,000
Addition	4,963
Changes in fair value recognised in profit or loss	6,037
At 31 December 2018	702,000
Addition	13,124
Changes in fair value recognised in profit or loss	(12,124)
At 31 December 2019	703,000
Addition	3,883
Changes in fair value recognised in profit or loss	(7,883)
At 30 September 2020	699,000

	As at 31 December			**As at 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unrealised losses on investment properties revaluation included in profit or loss	22,000	6,037	(12,124)	(7,883)

The fair value of the Jinzhou Target Group's investment properties as at 31 December 2017, 2018 and 2019 and 30 September 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Norton Appraisals Limited, an independent qualified professional valuer not connected to the Jinzhou Target Group.

In determining the fair value of the investment properties, the Jinzhou Target Group engages the independent qualified professional valuer to perform the valuation. The management of the Jinzhou Target Group works closely with them to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair value of the investment properties to the sole director of the Jinzhou Target Group.

There has been no change from the valuation technique used during the years ended 31 December 2017, 2018, 2019 and 30 September 2020. In estimating the fair values of the investment properties for disclosure purpose, the highest and the best use of the investment properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

The following table presents the fair value of the Jinzhou Target Group's investment properties measured at the end of each reporting period on a recurring basis, categorised into the level 3 fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Investment properties	**Valuation technique**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Shopping Mall in the PRC	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental, income potential, nature of property, and prevailing market condition, of 4.0%, 4.0%, 4.0%, 4.0%,as at 31 December 2017, 2018, 2019 and 30 September 2020.	The higher the capitalisation rate, the lower the fair value.
		Monthly market rent, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in the market rent used result in significant increase in fair value, and vice versa.

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties.

In estimating the fair value of investment properties, the highest and best use of the investment properties is their current use.

There were no transfers into or out of Level 3 during Relevant Periods.

18. DEFERRED TAXATION

For the presentation purposes of the consolidated statements of financial position, certain deferred taxation assets (liabilities) have been offset. The following is an analysis of the deferred taxation balances for financial reporting purposes:

	As at 31 December			**As at 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	–	–	–	–
Deferred tax liabilities	(51,618)	(53,127)	(50,096)	(48,125)
	(51,618)	(53,127)	(50,096)	(48,125)

The components of deferred tax assets (liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Periods were as follows:

	Revaluation of investment properties
	RMB'000
At 1 January 2017	46,118
Charged to profit or loss	5,500
At 31 December 2017	51,618
Charged to profit or loss	1,509
At 31 December 2018	53,127
Charged to profit or loss	(3,031)
At 31 December 2019	50,096
Charged to profit or loss	(1,971)
At 30 September 2020	48,125

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Jinzhou Target Group has estimated unused tax losses of approximately RMB27,544,000, RMB18,485,000, RMB10,681,000 and RMB10,563,000 available to offset against future profits respectively. No deferred tax assets have been recognised in respect of the tax losses because the management is of the view that it is not probable that the individual subsidiaries concerned can generate profits to utilise the tax losses before the tax losses become expired. The unrecognised tax losses of RMB27,544,000, RMB18,485,000, RMB10,681,000 and RMB10,563,000 as at 31 December 2017, 2018, 2019 and 30 September 2020 will expire from 2017 to 2020.

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			**As at 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	207	225	288	477
Deposits	300	400	400	400
Other tax prepayments *(Note)*	913	856	847	422
	1,420	1,481	1,535	1,299

Note:

Other tax prepayments mainly represent prepayment of value-added tax.

20. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts are unsecured, interest free and repayable on demand.

21. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.3% to 0.35% during the Relevant Periods.

The bank balances, including time deposits with original maturities less than 3 months, carry interest at prevailing market rates per annum.

During the Relevant Periods, the Jinzhou Target Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

22. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction payables	47,923	35,584	28,442	28,979
Receipt in advance	19,243	17,873	18,524	6,441
Other tax payable	66	43	51	44
Other payables	98	63	65	60
Deposits received from customers	2,560	2,718	2,818	2,646
	69,890	56,281	49,900	38,170

23. AMOUNTS DUE TO FELLOW SUBSIDIARIES/GUANGZHOU TARGET COMPANY/THE IMMEDIATE HOLDING COMPANY/THE ULTIMATE CONTROLLING PARTY

The amounts are unsecured, interest free and repayable on demand.

24. SHARE CAPITAL

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:				
50,000 ordinary shares at United States Dollar ("**US$**") 1 each	343	343	343	343
Issued and fully paid:				
1 ordinary share at US$1 each	1	1	1	1

25. OPERATING LEASES

The Jinzhou Target Group as lessor

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Property rental income, net of negligible outgoings under operating leases during the year	23,064	23,633	23,436	17,307	16,110

At the end of each Relevant Periods, the Jinzhou Target Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	19,084	18,297	19,570	1,646
In the second to fifth year inclusive	–	–	53	–
	19,084	18,297	19,623	1,646

Property rental income represents rentals receivable by the Jinzhou Target Group. Leases are negotiated for a term ranging from 1 to 2 years with fixed rentals.

26. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of the sole director of Sky Build, being the key management personnel, are set out in Note 12.

27. CAPITAL RISK MANAGEMENT

The Jinzhou Target Group manages its capital to ensure that entities in the Jinzhou Target Group will be able to continue as a going concern while maximising the return to shareholders, to support the Jinzhou Target Group's stability and growth, and to strengthen the Jinzhou Target Group's financial management capability.

The capital structure of the Jinzhou Target Group consists of net debts, net of bank balances and cash and equity attributable to owner of Sky Build, comprising issued share capital and other reserves.

The sole director actively and regularly reviews its capital structure and make adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Jinzhou Target Group may adjust the dividend payables to shareholders, issue new shares or raise and repay debts. The Jinzhou Target Group's capital management objectives, policies or processes were unchanged during the Relevant Periods.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Amortised cost	696,084	726,093	719,711	1,268
Financial liabilities				
Amortised cost	1,137,350	1,167,472	1,156,322	91,101

(b) Financial risk management objectives and policies

The Jinzhou Target Group's major financial instruments include other receivables, amounts due from fellow subsidiaries, bank balances and cash, other payables, amounts due to fellow subsidiaries/ultimate holding company/ultimate controlling party. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Jinzhou Target Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as disclosed in Note 21.

The Jinzhou Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

No sensitivity analysis presented for the Jinzhou Target Group's exposure to variable-rate bank balances as the management considers that the exposure to these risks for bank balances are insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Jinzhou Target Group's counterparties default on their contractual obligations resulting in financial losses to the Jinzhou Target Group. The Jinzhou Target Group's credit risk exposures are primarily attributable to accounts receivable, other receivables, bank balances and cash. The Jinzhou Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Jinzhou Target Group performed impairment assessment for financial assets under ECL model. Information about the Jinzhou Target Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Other receivables

For other receivables, the sole director of Sky Build makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Jinzhou Target Group also actively monitors the outstanding amounts owed by each debtor and uses internal credit rating to assess whether credit risk has increased significantly since initial recognition.

Amount due from fellow subsidiaries

In determining the ECL for amount due from fellow subsidiaries, the management considers the probability of default is negligible as fellow subsidiaries has the financial capacity to meet its contractual cash flow obligations in the near term, and conduced that the credit risk is insignificant. Accordingly, no loss allowance was made in the financial statements.

Bank balances and cash

Bank balances and cash are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions, therefore the Jinzhou Target Group's credit risk on liquid funds is limited.

Liquidity risk

Liquidity risk is the risk that the Jinzhou Target Group will not be able to meet its financial obligations as they fall due. The Jinzhou Target Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term.

Ultimate responsibility for liquidity risk management rests with the sole director, which has established an appropriate liquidity risk management framework for the management of the Jinzhou Target Group's short-, medium- and long- term funding and liquidity management requirements. The Jinzhou Target Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The remaining contractual maturities at as at 31 December 2017, 2018, 2019 and 30 September 2020 of the Jinzhou Target Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date that the Jinzhou Target Group can be required to pay, are within one year or on demand.

29. RETIREMENT BENEFIT SCHEMES

The Jinzhou Target Group has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans.

The Jinzhou Target Group's subsidiary in the PRC, in compliance with the applicable regulations of respective jurisdictions, participated in various pension schemes operated by the relevant municipal and provincial governments. This subsidiary is required to make defined contributions to these schemes at a fixed percentage of their covered payroll. The Jinzhou Target Group has no other obligations for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

The total contributions in respect of the year ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2019 and 2020 charged to consolidated statement of profit or loss and other comprehensive income amount to RMB363,000, RMB293,000, RMB299,000, RMB186,000 and RMB197,000 respectively.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Jinzhou Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Jinzhou Target Group's consolidated statement of cash flows from financing activities:

	Amounts due to fellow subsidiaries	**Amount due to Guangzhou Target Company**	**Amount due to immediate holding company**	**Amount due to ultimate controlling party**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	101,909	–	1,064,455	25
Financing cash flows	(2,138)	–	–	7
Non-cash transactions				
Foreign exchange translation	–	–	(74,927)	(2)
At 31 December 2017	99,771	–	989,528	30
Financing cash flows	(11,816)	–	–	6
Non-cash transactions				
Foreign exchange translation	–	–	54,306	–
At 31 December 2018	87,955	–	1,043,834	36
Financing cash flows	3,778	–	–	6
Non-cash transactions				
Offset to amounts due from fellow subsidiaries	(26,561)	–	–	–
Foreign exchange translation	–	–	18,767	–
At 31 December 2019	65,172	–	1,062,601	42
Financing cash flows	814	–	–	8
Non-cash transactions				
Offset to amounts due from fellow subsidiaries	(3,924)	–	(701,199)	–
Capitalisation to equity	–	–	(340,590)	(49)
Transfer	(62,062)	62,062	–	–
Foreign exchange translation	–	–	(20,812)	(1)
At 30 September 2020	–	62,062	–	–
At 1 January 2019	87,955	–	1,043,834	36
Financing cash flows	3,778	–	–	6
Non-cash transactions				
Offset to amounts due from fellow subsidiaries	(15,030)	–	–	–
Foreign exchange translation	–	–	35,336	1
At 30 September 2019 (unaudited)	76,703	–	1,079,170	43

31. INTERESTS IN SUBSIDIARIES

Details of Sky Build's subsidiaries as at 31 December 2017, 2018, 2019 and 30 September 2020 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital	Effective equity interest attributable to Sky Build				Principal activities
			As at 31 December			As at 30 September	
			2017	2018	2019	2020	
New Full Limited	Hong Kong	Hong Kong Dollar (HKD) 1	100%	100%	100%	100%	Investment holding
Jinzhou Target Company*	The PRC	USD49,800,000	100%	100%	100%	100%	Development, lease and management of underground shopping mall

* Established as a wholly foreign owned enterprise in the PRC.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Jinzhou Target Group, Sky Build or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2020.

The following is the text of a report set out on pages V-1 to V-49, received from Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, for the purpose of incorporation in this circular.

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF SUPERB POWER ENTERPRISES LIMITED

TO THE DIRECTORS OF TAI UNITED HOLDINGS LIMITED

Introduction

We report on the historical financial information of Superb Power Enterprises Limited ("**Superb Power**") and its subsidiaries (together, the "**Guangzhou Target Group**") set out on pages V-1 to V-49, which comprises the consolidated statements of financial position of the Guangzhou Target Group at 31 December 2017, 2018 and 2019, and 30 September 2020 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Guangzhou Target Group for each of the three years ended 31 December 2019 and the nine months ended 30 September 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages V-1 to V-49 forms an integral part of this report, which has been prepared for inclusion in the circular of Tai United Holdings Limited (the "**Company**") dated 26 March 2021 (the "**Circular**") in connection with the very substantial acquisition of shopping mall businesses in the PRC by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Guangzhou Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Superb Power, as well as evaluating the overall presentation of the Historical Financial Information, which the directors of the Company have reviewed and consider to be reasonable.

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 Guangzhou Target Group's financial position at 31 December 2017, 2018 and 2019 and 30 September 2020 and of the Guangzhou Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to Note 2 to the Historical Financial Information, which indicates that as of 30 September 2020, the Guangzhou Target Group's current liabilities exceeded its current assets by approximately RMB188,011,000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt on the Guangzhou Target Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Guangzhou Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the rules governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provision) Ordinance

Adjustments

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

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by the Guangzhou Target Group in respect of the Relevant Periods.

Yours faithfully,

Elite Partners CPA Limited
Certified Public Accountants
Leung Man Kin
Practicing Certificate Number: P07174

Hong Kong, 26 March 2021

HISTORICAL FINANCIAL INFORMATION OF GUANGZHOU TARGET GROUP

Preparation of Historical Financial Information

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

The financial statements of the Guangzhou Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and were audited by Elite Partners CPA Limited 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.

CONSOLIDATED 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*	*RMB'000*
		(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	6					
Contracts with customers		–	8,972	–	–	–
Leases		14,106	12,477	14,115	10,051	4,265
Total		14,106	21,449	14,115	10,051	4,265
Other income	8	120,291	179,435	141,465	108,287	89,106
Employee benefits expenses		(8,031)	(8,401)	(7,335)	(5,675)	(4,987)
Other operating expenses		(16,221)	(15,838)	(17,946)	(12,085)	(7,970)
Changes in fair value of investment properties		43,746	32,000	(1,000)	(1,000)	(6,000)
Finance costs	9	(80,340)	(148,213)	(97,664)	(73,422)	(73,257)
Profit before tax		73,551	60,432	31,635	26,156	1,157
Income tax (expense) credit	10	(10,937)	(7,977)	250	250	1,500
Profit for the year/period	11	62,614	52,455	31,885	26,406	2,657
Other comprehensive income (expense):						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations		23,178	(16,800)	(5,806)	(10,933)	6,439
Other comprehensive income (expense) for the year/period		23,178	(16,800)	(5,806)	(10,933)	6,439
Total comprehensive income for the year/period		85,792	35,655	26,079	15,473	9,096

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 September
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	16	677	450	651	480
Investment properties	17	1,969,000	2,001,000	2,000,000	1,994,000
		1,969,677	2,001,450	2,000,651	1,994,480
Current assets					
Inventories	19	91	63	62	55
Accounts receivable	20	1,303	1,143	1,089	771
Other receivables, deposits and prepayments	21	24,983	11,244	11,228	11,445
Amount due from the immediate holding company	22	102,436	108,058	110,001	–
Amount due from Jinzhou Target Company	23	–	–	–	62,062
Amounts due from fellow subsidiaries	23	2,575,385	2,751,169	1,835,202	1,482,441
Bank balances and cash	24	2,943	3,423	5,988	3,571
		2,707,141	2,875,100	1,963,570	1,560,345
Current liabilities					
Accrued liabilities and other payables	25	317,601	288,968	315,829	378,356
Amounts due to fellow subsidiaries	26	553,570	1,756,763	801,720	–
Amount due to the immediate holding company	27	40	42	43	–
Amount due to the ultimate controlling party	28	41	56	79	–
Borrowings – current	29	1,018,500	20,000	30,000	1,370,000
		1,889,752	2,065,829	1,147,671	1,748,356

		As at 31 December			As at 30 September
		2017	**2018**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net current assets (liabilities)		817,389	809,271	815,899	(188,011)
Total assets less current liabilities		2,787,066	2,810,721	2,816,550	1,806,469
Non-current liabilities					
Deferred tax liabilities	18	377,690	385,690	385,440	383,940
Borrowings	29	1,380,000	1,360,000	1,340,000	–
		1,757,690	1,745,690	1,725,440	383,940
Net assets		1,029,376	1,065,031	1,091,110	1,422,529
Capital and reserves					
Share capital	30	1	1	1	1
Reserves		1,029,375	1,065,030	1,091,109	1,422,528
Total equity		1,029,376	1,065,031	1,091,110	1,422,529

STATEMENTS OF FINANCIAL POSITION OF SUPERB POWER

		As at 31 December			As at 30 September
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investment in a subsidiary	37	–	–	–	–
Current liabilities					
Amount due from a subsidiary		–	–	–	322,197
Current liabilities					
Amount due to the immediate holding company	22	40	42	43	–
Amount due to the ultimate controlling party	28	14	20	26	–
		54	62	69	–
Net current (liabilities) assets		(54)	(62)	(69)	322,197
Total assets less current liabilities		(54)	(62)	(69)	322,197
Net liabilities		(54)	(62)	(69)	322,197
Capital and reserves					
Share capital	30	1	1	1	1
Reserves		(55)	(63)	(70)	322,196
Total equity		(54)	(62)	(69)	322,197

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *RMB'000*	Translation reserve *RMB'000*	Statutory reserves *RMB'000* *(note a)*	Other capital contribution reserve *RMB'000* *(note b)*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2017	1	(4,893)	169,412	–	779,064	943,584
Profit for the year	–	–	–	–	62,614	62,614
Exchange differences on translation of foreign operations	–	23,178	–	–	–	23,178
Other comprehensive income for the year	–	23,178	–	–	–	23,178
Total comprehensive income for the year	–	23,178	–	–	62,614	85,792
At 31 December 2017	1	18,285	169,412	–	841,678	1,029,376
Profit for the year	–	–	–	–	52,455	52,455
Exchange differences on translation of foreign operations	–	(16,800)	–	–	–	(16,800)
Other comprehensive income for the year	–	(16,800)	–	–	–	(16,800)
Total comprehensive income for the year	–	(16,800)	–	–	52,455	35,655
At 31 December 2018	1	1,485	169,412	–	894,133	1,065,031
Profit for the year	–	–	–	–	31,885	31,885
Exchange differences on translation of foreign operations	–	(5,806)	–	–	–	(5,806)
Other comprehensive income for the year	–	(5,806)	–	–	–	(5,806)
Total comprehensive income for the year	–	(5,806)	–	–	31,885	26,079

	Share capital *RMB'000*	Translation reserve *RMB'000*	Statutory reserves *RMB'000* *(note a)*	Other capital contribution reserve *RMB'000* *(note b)*	Retained earnings *RMB'000*	Total *RMB'000*
At 31 December 2019	1	(4,321)	169,412	–	926,018	1,091,110
Profit for the period	–	–	–	–	2,657	2,657
Exchange differences on translation of foreign operations	–	6,439	–	–	–	6,439
Other comprehensive income for the period	–	6,439	–	–	–	6,439
Total comprehensive income for the period	–	6,439	–	–	2,657	9,096
Capitalisation of amount due to the immediate holding company	–	–	–	322,323	–	322,323
At 30 September 2020	1	2,118	169,412	322,323	928,675	1,422,529
At 1 January 2019	1	1,485	169,412	–	894,133	1,065,031
Profit for the period	–	–	–	–	26,406	26,406
Exchange differences on translation of foreign operations	–	(10,933)	–	–	–	(10,933)
Other comprehensive expense for the period	–	(10,933)	–	–	–	(10,933)
Total comprehensive income for the period	–	(10,933)	–	–	26,406	15,473
At 30 September 2019 (unaudited)	1	(9,448)	169,412	–	920,539	1,080,504

Notes:

(a) According to the relevant rules and regulations in the People's Republic of China (the "**PRC**"), each of the Superb Power's PRC subsidiary shall transfer 10% of their net profit after tax, based on the subsidiary's PRC statutory accounts, as statutory reserves, until the balance reaches 50% of the respective subsidiary's registered capital. Further appropriations can be made at the directors' discretion. The statutory reserves can be used to offset any accumulated losses or convert into paid-up capital of the respective subsidiary.

(b) The other capital contribution reserve represents the capitalisation of the amount due to the immediate holding company.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
OPERATING ACTIVITIES					
Profit before tax	73,551	60,432	31,635	26,156	1,157
Adjustments for:					
Changes in fair value of investment properties	(43,746)	(32,000)	1,000	1,000	6,000
Depreciation of property, plant and equipment	141	231	195	138	174
Finance costs	80,340	148,213	97,664	73,422	73,257
Loss on disposal of property, plant and equipment	–	–	76	–	–
Interest income	(82,842)	(139,875)	(99,429)	(76,791)	(74,239)
Operating cash flows before movements in working capital	27,444	37,001	31,141	23,925	6,349
Decrease in inventories	130	28	1	8	7
Decrease in accounts receivable	114	160	54	34	318
(Increase) decrease in other receivables, deposits and prepayments	(13,360)	13,739	16	(54)	(217)
(Decrease) increase in accrued liabilities and other payables	38,628	(28,633)	(10,295)	(7,510)	(2,472)
Cash generated from operations	52,956	22,295	20,917	16,403	3,985
Income tax refund	–	23	–	–	–
Interest received	1	282	16	9	11
Net cash from operating activities	52,957	22,600	20,933	16,412	3,996

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
INVESTING ACTIVITIES					
Advances to fellow subsidiaries	(1,465,103)	(35,481)	(2,030)	(32,131)	(6,426)
Repayments from fellow subsidiaries	6,012	–	–	2,270	14
Acquisition of property, plant and equipment	(335)	(4)	(472)	(368)	(3)
Additions to investment properties	(1,254)	–	–	–	–
Net cash used in investing activities	(1,460,680)	(35,485)	(2,502)	(30,229)	(6,415)
FINANCING ACTIVITIES					
Advance from the ultimate controlling party	11	12	22	22	8
Repayments to fellow subsidiaries	–	–	(80)	–	(6)
Advances from fellow subsidiaries	91,763	1,180,066	91,856	98,487	8,258
Proceeds from bank borrowings raised	1,400,000	–	–	–	–
Repayment of bank borrowings	(1,000)	(1,018,500)	(10,000)	(10,000)	–
Interest paid	(80,340)	(148,213)	(97,664)	(73,422)	(8,258)
Net cash from (used in) financing activities	1,410,434	13,365	(15,866)	15,087	2
Net increase (decrease) in cash and cash equivalents	2,711	480	2,565	1,270	(2,417)
Cash and cash equivalents at 1 January	232	2,943	3,423	3,423	5,988
Cash and cash equivalents at 31 December/30 September, represented by bank balances and cash	2,943	3,423	5,988	4,693	3,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Superb Power Enterprises Limited ("**Superb Power**") was incorporated in the British Virgin Islands (the "**BVI**") on 27 September 2007. The address of the Superb Power's registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Stone Wealth Limited is the immediate holding company of Superb Power. In the opinion of the sole director of Superb Power, the ultimate holding company of Superb Power is Apex Assure Limited, a company incorporated in the BVI with limited liability, and Mr. Dai Yongge, who is the sole director of Superb Power, is the ultimate controlling party of Superb Power.

Superb Power is an investment holding company. The principal activity of the Guangzhou Target Group is the development, lease and management of underground shopping mall in the People's Republic of China (the "**PRC**").

No statutory financial statements of Superb Power have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

The Historical Financial Information is presented in RMB, which is the functional currency of the subsidiary carrying on the principal activities of the Guangzhou Target Group. Superb Power and its overseas subsidiaries' functional currency is Hong Kong dollar ("**HKD**"). Since the Guangzhou Target Group's operations are conducted in the PRC, the Guangzhou Target Group has adopted RMB as its presentation currency.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information for the Relevant Periods has been prepared in accordance with the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA.

Going Concern Basis

As of 30 September 2020, the Guangzhou Target Group's current liabilities exceeded its current assets by approximately RMB188,011,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Guangzhou Target Group's ability to continue as a going concern. Therefore, the Guangzhou Target Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the financial support of the ultimate controlling party of Superb Power, at a level sufficient to finance the working capital requirements of the Guangzhou Target Group. The ultimate controlling party has agreed to provide adequate funds for the Guangzhou Target Group to meet its liabilities as they fall due. The sole director of Superb Power is therefore of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis. Should the Guangzhou Target Group be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the value of the Guangzhou Target Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the Historical Financial Information.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Guangzhou Target Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2020 throughout the Relevant Periods, including HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 16 *Leases*.

New and amendments to HKFRSs in issue but not yet effective:

The Guangzhou Target Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective for annual periods beginning on or after a date to be determined

The sole director of Superb Power anticipates that the application of all the above new and amendments to HKFRSs will have no material impact on the Guangzhou Target Group's consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis except for the investment properties which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

For the investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Superb Power and entities controlled by Superb Power and its subsidiaries. Control is achieved when the Superb Power:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Guangzhou Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Guangzhou Target Group obtains control over the subsidiary and ceases when the Guangzhou Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Guangzhou Target Group gains control until the date when the Guangzhou Target Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Guangzhou Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Guangzhou Target Group are eliminated in full on consolidation.

Revenue from contracts with customers

The Guangzhou Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Guangzhou Target Group's performance as the Guangzhou Target Group performs;
- the Guangzhou Target Group's performance creates or enhances an asset that the customer controls as the Guangzhou Target Group performs; or
- the Guangzhou Target Group's performance does not create an asset with an alternative use to the Guangzhou Target Group and the Guangzhou Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Guangzhou Target Group's obligation to transfer goods or services to a customer for which the Guangzhou Target Group has received consideration (or an amount of consideration is due) from the customer.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Guangzhou Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Guangzhou Target Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Guangzhou Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Guangzhou Target Group applies the short-term lease recognition exemption to leases of office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Guangzhou Target Group; and
- an estimate of costs to be incurred by the Guangzhou Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Guangzhou Target Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Guangzhou Target Group presents right-of-use assets that do not meet the definition of properties under development, completed properties held for sale and investment properties as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of properties under development, completed properties held for sale and investment properties are presented within "properties under development", "completed properties held for sale" and "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Guangzhou Target Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Guangzhou Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Guangzhou Target Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Guangzhou Target Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Guangzhou Target Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Guangzhou Target Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Guangzhou Target Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Guangzhou Target Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Guangzhou Target Group as a lessor

Classification and measurement of leases

Leases for which the Guangzhou Target Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Guangzhou Target Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKAS 39/HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments.

Sublease

When the Guangzhou Target Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Guangzhou Target Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Guangzhou Target Group's operations are translated into the presentation currency of the Guangzhou Target Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Guangzhou Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Superb Power are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Guangzhou Target Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Guangzhou Target Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for each of the financial year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. the Guangzhou Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Guangzhou Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Guangzhou Target Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Guangzhou Target Group recognises the right-of-use assets and the related lease liabilities, the Guangzhou Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Guangzhou Target Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Government grants

Government grants are not recognised until there is reasonable assurance that the Guangzhou Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Guangzhou Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

Retirement benefit costs and termination benefits

The Guangzhou Target Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Guangzhou Target Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Property, plant and equipment

Property, plant and equipment, including properties held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Guangzhou Target Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Guangzhou Target Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of property, plant and equipment and right-of-use assets

At the end of each reporting period, the Guangzhou Target Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Guangzhou Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Guangzhou Target Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Guangzhou Target Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Guangzhou Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Guangzhou Target Group has a present obligation as a result of a past event, and it is probable that the Guangzhou Target Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Guangzhou Target Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Guangzhou Target Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Guangzhou Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Guangzhou Target Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Guangzhou Target Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including accounts receivable (including lease receivables), other receivables, bank balances and cash and other financial assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Guangzhou Target Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Guangzhou Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Guangzhou Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Guangzhou Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Guangzhou Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Guangzhou Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Guangzhou Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Guangzhou Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. the Guangzhou Target Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Guangzhou Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Guangzhou Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Guangzhou Target Group, in full (without taking into account any collaterals held by the Guangzhou Target Group).

Irrespective of the above, the Guangzhou Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Guangzhou Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Guangzhou Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Guangzhou Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Guangzhou Target Group in accordance with the contract and the cash flows that the Guangzhou Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Guangzhou Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable and other non-trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Guangzhou Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Guangzhou Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Guangzhou Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Guangzhou Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Guangzhou Target Group continues to recognize the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by the Superb Power are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including borrowings and other payables are subsequently measured at amortised cost, using the effective interest method.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Guangzhou Target Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial liabilities

The Guangzhou Target Group derecognises financial liabilities when, and only when, the Guangzhou Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Guangzhou Target Group's accounting policies, which are described in Note 4, the sole director of Superb Power is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the sole director of Superb Power has made in the process of applying the Guangzhou Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

The Guangzhou Target Group recognises deferred tax in respect of the changes in fair value of the investment properties based on directors' best estimate assuming future tax consequences through usage of such properties for rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the Historical Financial Information should the investment properties are subsequently disposed of by the Guangzhou Target Group, rather than consumed substantially all of the economic benefits embodied in the investment properties by leasing over time. In the event the investment properties are being disposed of, the Guangzhou Target Group may be liable to higher tax upon disposal considering the impact of land appreciation tax.

Key sources of estimation uncertainty

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

Valuation of investment properties

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Group's investment properties are stated at fair value of approximately RMB1,969,000,000, RMB2,001,000,000, RMB2,000,000,000 and RMB1,994,000,000 based on the valuations performed by independent qualified professional valuers. In determining the fair values, the valuers have made reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from properties.

In relying on the valuations, the management of the Guangzhou Target Group has exercised their judgments and is satisfied that the valuation technique used is reflective of the current market conditions. Details of the investment properties are disclosed in Note 17.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Transfer of operation rights	–	8,972	–	–	–
Revenue from contracts with customers	–	8,972	–	–	–
Rental income from investment properties that is fixed	14,106	12,477	14,115	10,051	4,265
Total	14,106	21,449	14,115	10,051	4,265

(ii) Performance obligations for contracts with customers

Sales of operation rights

The Guangzhou Target Group transferred operation rights of a portion of shop units in its shopping mall. In connection with pre-completion transfers, transfer agreements provided that 50% of the transfer price be paid upon the execution of such transfer agreements, while the remaining 50% be made within 30 days upon the delivery of the shop units to the transferees. All the transferees of the Guangzhou Target Group's underground shop units are individuals. Revenue from transfer of operation rights is recognised when control of the operation right has transferred.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Guangzhou Target Group has no remaining (unsatisfied or partially unsatisfied) performance obligations as at 31 December 2017, 2018, 2019 and 30 September 2020.

(iv) Leases

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
For operating leases:					
Lease payments	14,106	12,477	14,115	10,051	4,265

7. SEGMENT REPORTING

Information reported to the Guangzhou Target Group's senior executive management, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by products and services. No other discrete financial information is provided other than the Guangzhou Target Group's results and financial position as a whole. Accordingly, only entity-wide disclosures and major customers are presented.

The Guangzhou Target Group's operation is located in the PRC, therefore no geographical segment reporting is presented.

Information about major customers

For the years ended 31 December 2017, 2018, 2019 and nine months ended 30 September 2019 and 2020, no single customer contributes 10% or more of the total revenue of the Guangzhou Target Group.

8. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Interest income from:					
– bank and other deposits	1	282	16	9	11
– amounts due from fellow subsidiaries	82,841	139,593	99,413	76,782	74,228
Revenue from property management and relevant service	37,449	37,994	41,097	30,596	14,587
Sundry income	–	1,562	939	900	280
	120,291	179,435	141,465	108,287	89,106

9. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Interest expenses on interest-bearing bank borrowings	80,340	148,213	97,664	73,422	73,257
	80,340	148,213	97,664	73,422	73,257

10. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Current tax					
– PRC Enterprise Income Tax ("**EIT**")	–	(23)	–	–	–
Deferred tax	10,937	8,000	(250)	(250)	(1,500)
	10,937	7,977	(250)	(250)	(1,500)

No provision for Hong Kong Profits Tax has been made as the Guangzhou Target Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

EIT

Pursuant to the Enterprise Income Tax Law of the PRC, the Guangzhou Target Group's main operating companies were subject to PRC EIT at a rate of 25% during the Relevant Periods.

The income tax expense (credit) for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income 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*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit before tax	73,551	60,432	31,635	26,156	1,157
Tax at the applicable PRC EIT rate of 25%	18,388	15,108	7,909	6,539	289
Tax effect of expenses not deductible for tax purposes	6,983	25,298	13,203	9,763	9,911
Tax effect of income not taxable for tax purposes	(19,935)	(37,108)	(24,441)	(18,893)	(18,255)
Tax effect of tax losses not recognised	5,501	4,702	3,079	2,341	6,555
Over provision in respect of prior years	–	(23)	–	–	–
Income tax expense (credit) for the year/period	10,937	7,977	(250)	(250)	(1,500)

11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit for the year/period has been arrived at after charging (crediting):					
Directors' emoluments *(Note 12)*	1,200	1,200	401	401	–
Other staff costs:					
– Salaries, allowances and benefits in kind	5,842	6,305	6,091	4,638	4,702
– Retirement benefit scheme contributions	989	896	843	636	285
Total staff costs	8,031	8,401	7,335	5,675	4,987
Depreciation of property, plant and equipment	141	231	195	138	174
Expenses related to short-term lease	212	1,321	97	75	64
Gross rental income from investment properties less direct operating expenses	(14,106)	(12,477)	(14,115)	(10,051)	(4,265)

12. DIRECTOR'S REMUNERATION

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Mr. Dai Yougge					
Fees	1,200	1,200	401	401	–
Other emoluments					
Salaries, allowances and benefits in kind	–	–	–	–	–
Retirement benefit scheme contributions	–	–	–	–	–
	1,200	1,200	401	401	–

The director's emoluments shown above was for his services in connection with the management of the affairs of the Guangzhou Target Group.

13. EMPLOYEES' REMUNERATION

The five highest paid employees of the Guangzhou Target Group during the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2019 included one director of the Superb Power, whose remuneration is disclosed in Note 12. The remaining four highest paid employees of the Guangzhou Target Group during the years ended 31 December 2017, 2018 and 2019 and nine months ended 30 September 2019 and the five highest paid employees of the Guangzhou Target Group during the nine months ended 30 September 2020 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*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Salaries, allowances and benefits in kind	928	929	930	697	813
Retirement benefit scheme contributions	207	160	152	114	70
Total	1,135	1,089	1,082	811	883

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

	No. of employees				
	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	(audited)	(audited)	(audited)	(unaudited)	(audited)
HKDnil to HKD1,000,000	4	4	4	4	5

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of Superb Power during the Relevant Periods.

15. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment	Motor vehicle	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2017	2,344	338	2,682
Addition	335	–	335
At 31 December 2017	2,679	338	3,017
Addition	4	–	4
At 31 December 2018	2,683	338	3,021
Addition	34	438	472
Disposal	(890)	(80)	(970)
At 31 December 2019	1,827	696	2,523
Addition	3	–	3
At 30 September 2020	1,830	696	2,526
Accumulated depreciation			
At 1 January 2017	1,921	278	2,199
Provided for the year	126	15	141
At 31 December 2017	2,047	293	2,340
Provided for the year	216	15	231
At 31 December 2018	2,263	308	2,571
Provided for the year	121	74	195
Eliminated on disposals	(826)	(68)	(894)
At 31 December 2019	1,558	314	1,872
Provided for the period	80	94	174
At 30 September 2020	1,638	408	2,046
Carrying values			
At 30 September 2020	192	288	480
At 31 December 2019	269	382	651
At 31 December 2018	420	30	450
At 31 December 2017	632	45	677

The above items of property, plant and equipment are depreciated, after taking into account of their estimated residual values, on a straight-line method, at the following rates per annum:

Furniture, fixtures and office equipment	20%
Motor vehicles	20%

17. INVESTMENT PROPERTIES

During the Relevant Periods, the Guangzhou Target Group leases out various shop and venue spaces under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 2 years. The annual lease payment are fixed.

The Guangzhou Target Group is not exposed to foreign currency risk as a result of the lease arrangements as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee or lessee's option to purchase the property at the end of lease term.

For the years ended 31 December 2017, 2018, 2019 and nine months ended 30 September 2020, the total cash inflow for leases is RMB31,383,000, RMB26,163,000, RMB34,000,000 and RMB7,643,000 respectively.

	Investment properties
	RMB'000
Fair value	
At 1 January 2017	1,924,000
Addition	1,254
Changes in fair value recognised in profit or loss	43,746
At 31 December 2017	1,969,000
Changes in fair value recognised in profit or loss	32,000
At 31 December 2018	2,001,000
Changes in fair value recognised in profit or loss	(1,000)
At 31 December 2019	2,000,000
Changes in fair value recognised in profit or loss	(6,000)
At 30 September 2020	1,994,000

	As at 31 December			**As at 30 September**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unrealised gains (losses) on investment properties revaluation included in profit or loss	43,746	32,000	(1,000)	(6,000)

The fair value of the Guangzhou Target Group's investment properties as at 31 December 2017, 2018 and 2019 and 30 September 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Norton Appraisals Limited, an independent qualified professional valuer not connected to the Guangzhou Target Group.

In determining the fair value of the investment properties, the Guangzhou Target Group engages the independent qualified professional valuer to perform the valuation. The management of the Guangzhou Target Group works closely with them to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair value of the investment properties to the sole director of Superb Power.

There has been no change from the valuation technique used during the years ended 31 December 2017, 2018, 2019 and 30 September 2020. In estimating the fair values of the investment properties for disclosure purpose, the highest and the best use of the investment properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

The following table presents the fair value of the Guangzhou Target Group's investment properties measured at the end of each reporting period on a recurring basis, categorised into the level 3 fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Investment properties	**Valuation technique**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Shopping Mall in the PRC	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental, income potential, nature of property, and prevailing market condition, of 3.5%, 3.5%, 3.5%, 3.5% as at 31 December 2017, 2018, 2019 and 30 September 2020.	The higher the capitalisation rate, the lower the fair value.
		Monthly market rent, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in the market rent used result in significant increase in fair value, and vice versa.

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties.

In estimating the fair value of investment properties, the highest and best use of the investment properties is their current use.

There were no transfers into or out of Level 3 during Relevant Periods.

18. DEFERRED TAXATION

For the presentation purposes of the consolidated statements of financial position, certain deferred taxation assets (liabilities) have been offset. The following is an analysis of the deferred taxation balances for financial reporting purposes:

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	–	–	–	–
Deferred tax liabilities	(377,690)	(385,690)	(385,440)	(383,940)
	(377,690)	(385,690)	(385,440)	(383,940)

The components of deferred tax assets (liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Periods were as follows:

	Revaluation of investment properties
	RMB'000
At 1 January 2017	366,753
Charged to profit or loss	10,937
At 31 December 2017	377,690
Charged to profit or loss	8,000
At 31 December 2018	385,690
Charged to profit or loss	(250)
At 31 December 2019	385,440
Charged to profit or loss	(1,500)
At 30 September 2020	383,940

As at 31 December 2017, 2018, 2019 and 30 September 2020, the Guangzhou Target Group had unused tax losses of RMB34,837,000, RMB53,567,000, RMB65,693,000 and RMB91,966,000 available to offset against future profits respectively. No deferred tax assets have been recognised in respect of the tax losses because the management is of the view that it is not probable that the individual subsidiaries concerned can generate profits to utilise the tax losses before the tax losses become expired. The unrecognised tax losses of RMB34,837,000, RMB53,567,000, RMB65,693,000 and RMB91,966,000 as at 31 December 2017, 2018, 2019 and 30 September 2020 will expire from 2021 to 2025.

19. INVENTORIES

Inventories represent materials used for office administration.

20. ACCOUNTS RECEIVABLE

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable arising from transfer of operation rights	1,303	1,143	1,089	771
Less: Allowance for credit losses	–	–	–	–
Total	1,303	1,143	1,089	771

The following is an aged analysis of accounts receivable, net of allowance for credit losses, presented based on the invoice dates which approximated to the respective revenue recognition dates:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	–	–	–	–
31–90 days	–	–	–	–
91–120 days	–	–	–	–
Over 120 days	1,303	1,143	1,089	771
	1,303	1,143	1,089	771

Details of impairment assessment of accounts receivable are set out in Note 34(b).

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	14,170	527	586	642
Advance payments to contractors	358	321	253	333
Other tax prepayments *(Note)*	10,455	10,396	10,389	10,470
	24,983	11,244	11,228	11,445

Note: Other tax prepayments mainly represent prepayment of value-added tax, tax surcharge during the pre-sale stage of property projects.

Details of impairment assessment of other receivables are set out in Note 34(b).

22. AMOUNT DUE FROM THE IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest free and repayable on demand.

23. AMOUNTS DUE FROM JINZHOU TARGET COMPANY/FELLOW SUBSIDIARIES

The amount due from 錦州嘉馳公共設施管理有限公司 ("**Jinzhou Target Company**") are unsecured, interest-free and repayable on demand. The amounts due from other fellow subsidiaries are unsecured, interest bearing and repayable on demand.

24. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.35% to 1.5% during the Relevant Periods.

The bank balances, including time deposits with original maturities less than 3 months, carry interest at prevailing market rates per annum.

During the Relevant Periods, the Guangzhou Target Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

25. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction payables	68,321	38,547	38,243	38,159
Receipt in advance	15,625	15,201	16,977	15,197
Interest payable	–	–	–	64,999
Other tax payable	11,971	10,066	9,809	9,483
Other payables	44	54	58	61
Deposits received from customers	221,640	225,100	250,742	250,457
	317,601	288,968	315,829	378,356

26. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amount is unsecured, interest free and repayable on demand.

27. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest free and repayable on demand.

28. AMOUNT DUE TO THE ULTIMATE CONTROLLING PARTY

The amount is unsecured, interest free and repayable on demand.

29. BORROWINGS

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured and guaranteed bank borrowings	2,398,500	1,380,000	1,370,000	1,370,000
Less: current portion of non-current borrowings	(1,018,500)	(20,000)	(30,000)	(1,370,000)
	1,380,000	1,360,000	1,340,000	–

As at 31 December 2017, the Guangzhou Target Group's borrowings amounting to RMB1,400,000,000 was secured by the pledge of the operation right of a fellow subsidiary. The remaining borrowings amounting to RMB998,500,000 was guaranteed by a fellow subsidiary.

As at 31 December 2018, 2019 and 30 September 2020, the Guangzhou Target Group's borrowings amounting to RMB1,380,000,000, RMB1,370,000,000 and RMB1,370,000,000 respectively were secured by the pledge of entire interest of 廣州融智公共設施投資有限公司 ("**Guangzhou Target Company**"), an indirect wholly-owned subsidiary of Superb Power and the operation right of a fellow subsidiary, and guaranteed by Mr. Dai Yongge, the ultimate controlling party of the Superb Power, and a fellow subsidiary.

The borrowings of the Guangzhou Target Group were repayable based on repayment schedule set out in relevant loan agreements as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,018,500	20,000	30,000	1,370,000
Over one year but not exceeding two years	20,000	20,000	1,340,000	–
Over two years but not exceeding five years	1,360,000	1,340,000	–	–
Over five years	–	–	–	–
	2,398,500	1,380,000	1,370,000	1,370,000

The range of effective interest rates of borrowings (which are equal to contracted interest rates) are as follows:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
Effective interest rate				
Fixed-rate borrowings	*7%–7.5%*	*7%–7.5%*	*7%*	*7%*

30. SHARE CAPITAL

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:				
50,000 ordinary shares at United States Dollar ("**US$**") 1 each	343	343	343	343
Issued and fully paid:				
1 ordinary share at US$1 each	1	1	1	1

31. OPERATING LEASES

The Guangzhou Target Group as lessor

	Year ended 31 December			Nine months ended 30 September	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Property rental income, net of negligible outgoings under operating leases during the year	14,106	12,477	14,115	10,051	4,265

At the end of each Relevant Periods, the Guangzhou Target Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December			As at 30 September
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,737	10,009	14,655	8,900
In the second to fifth year inclusive	815	8,759	11,054	8,782
	2,552	18,768	25,709	17,682

Property rental income represents rentals receivable by the Guangzhou Target Group. Leases are negotiated for a term ranging from 1 to 2 years with fixed rentals.

32. RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

(a) Transactions with related parties

	Year ended 31 December			Nine months ended 30 September	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Interest income from amounts due from fellow subsidiaries	82,841	139,593	99,413	76,782	74,228

(b) Compensation of key management personnel

The remuneration of the sole director of Superb Power, being the key management personnel, are set out in Note 12.

33. CAPITAL RISK MANAGEMENT

The Guangzhou Target Group manages its capital to ensure that entities in the Guangzhou Target Group will be able to continue as a going concern while maximising the return to shareholders, to support the Guangzhou Target Group's stability and growth, and to strengthen the Guangzhou Target Group's financial management capability.

The capital structure of the Guangzhou Target Group consists of net debts, which includes borrowings disclosed in Note 29, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and other reserves.

The sole director of Superb Power actively and regularly reviews its capital structure and make adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Guangzhou Target Group may adjust the dividend payables to shareholders, issue new shares or raise and repay debts. the Guangzhou Target Group's capital management objectives, policies or processes were unchanged during the Relevant Periods.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 September
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Amortised cost	2,696,237	2,864,320	1,952,866	1,549,487
Financial liabilities				
Amortised cost	3,020,516	3,175,462	2,210,143	1,473,219

(b) Financial risk management objectives and policies

The Guangzhou Target Group's major financial instruments include accounts receivable, other receivables, amounts due from ultimate holding company/fellow subsidiaries, bank balances and cash, accounts payable, other payables, amounts due to fellow subsidiaries/ultimate holding company/ultimate controlling party and borrowings. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Guangzhou Target Group is exposed to fair value interest rate risk in relation to interest-bearing amounts due from fellow subsidiaries and fixed rate borrowing as disclosed in Note 29. The Guangzhou Target Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as disclosed in Note 24.

The Guangzhou Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

No sensitivity analysis presented for the Guangzhou Target Group's exposure to variable-rate bank balances as the management considers that the exposure to these risks for bank balances are insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Guangzhou Target Group's counterparties default on their contractual obligations resulting in financial losses to the Guangzhou Target Group. The Guangzhou Target Group's credit risk exposures are primarily attributable to accounts receivable, other receivables, bank balances and cash. the Guangzhou Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Guangzhou Target Group performed impairment assessment for financial assets under ECL model. Information about the Guangzhou Target Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

For other receivables, the sole director of Superb Power makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. the Guangzhou Target Group also actively monitors the outstanding amounts owed by each debtor and uses internal credit rating to assess whether credit risk has increased significantly since initial recognition.

Amounts due from the immediate holding company and fellow subsidiaries

In determining the ECL for amounts due from the immediate holding company and fellow subsidiaries, the management considers the probability of default is negligible as fellow subsidiaries has the financial capacity to meet its contractual cash flow obligations in the near term, and conduced that the credit risk is insignificant. Accordingly, no loss allowance was made in the financial statements.

Bank balances and cash

Bank balances and cash are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions, therefore the Guangzhou Target Group's credit risk on liquid funds is limited.

Liquidity risk

Liquidity risk is the risk that the Guangzhou Target Group will not be able to meet its financial obligations as they fall due. the Guangzhou Target Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term.

Ultimate responsibility for liquidity risk management rests with the sole director, which has established an appropriate liquidity risk management framework for the management of the Guangzhou Target Group's short-, medium- and long- term funding and liquidity management requirements. the Guangzhou Target Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Guangzhou Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Guangzhou Target Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

As at 31 December 2017

	Weighted average interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities							
Other payables	N/A	68,365	–	–	–	68,365	68,365
Amounts due to fellow subsidiaries	N/A	553,570	–	–	–	553,570	553,570
Amount due to the ultimate holding company	N/A	40	–	–	–	40	40
Amount due to the ultimate controlling party	N/A	41	–	–	–	41	41
Borrowings	7–7.5%	8,439	34,783	1,123,501	1,568,378	2,735,100	2,398,500
		630,455	34,783	1,123,501	1,568,378	3,357,116	3,020,516

As at 31 December 2018

	Weighted average interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities							
Other payables	N/A	38,601	–	–	–	38,601	38,601
Amounts due to fellow subsidiaries	N/A	1,756,763	–	–	–	1,756,763	1,756,763
Amount due to the ultimate holding company	N/A	42	–	–	–	42	42
Amount due to the ultimate controlling party	N/A	56	–	–	–	56	56
Borrowings	7%	8,379	25,851	83,514	1,477,331	1,595,074	1,380,000
		1,803,841	25,851	83,514	1,477,331	3,390,536	3,175,462

As at 31 December 2019

	Weighted average interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities							
Other payables	N/A	38,301	–	–	–	38,301	38,301
Amounts due to fellow subsidiaries	N/A	801,720	–	–	–	801,720	801,720
Amount due to the ultimate holding company	N/A	43	–	–	–	43	43
Amount due to the ultimate controlling party	N/A	79	–	–	–	79	79
Borrowings	7%	18,258	25,886	82,424	1,360,763	1,487,331	1,370,000
		858,401	25,886	82,424	1,360,763	2,327,474	2,210,143

As at 30 September 2020

	Weighted average interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities							
Other payables	N/A	103,219	–	–	–	103,219	103,219
Borrowings	7%	37,875	16,013	1,360,763	–	1,414,651	1,370,000
		141,094	16,013	1,360,763	–	1,517,870	1,473,219

35. RETIREMENT BENEFIT SCHEMES

The Guangzhou Target Group has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans.

The Guangzhou Target Group's subsidiary in the PRC, in compliance with the applicable regulations of respective jurisdictions, participated in various pension schemes operated by the relevant municipal and provincial governments. This subsidiary is required to make defined contributions to these schemes at a fixed percentage of their covered payroll. the Guangzhou Target Group has no other obligations for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

The total contributions in respect of the year ended 31 December 2017, 2018, 2019 and the nine months ended 30 September 2019 and 2020 charged to consolidated statement of profit or loss and other comprehensive income amount to RMB989,000, RMB896,000, RMB843,000, RMB636,000 and RMB285,000 respectively.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Guangzhou Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Guangzhou Target Group's consolidated statement of cash flows from financing activities:

	Borrowing	Amounts due to fellow subsidiaries	Amount due to ultimate holding company	Amount due to ultimate controlling party	Interest payable
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	999,500	497,809	43	33	–
Financing cash flows	1,399,000	87,670	–	11	(80,340)
Non-cash transactions					
Interest expense	–	–	–	–	80,340
Foreign exchange translation	–	(31,909)	(3)	(3)	–
At 31 December 2017	2,398,500	553,570	40	41	–
Financing cash flows	(1,018,500)	1,180,066	–	12	(148,213)
Non-cash transactions					
Interest expense	–	–	–	–	148,213
Foreign exchange translation	–	23,127	2	3	–

	Borrowing *RMB'000*	Amounts due to fellow subsidiaries *RMB'000*	Amount due to ultimate holding company *RMB'000*	Amount due to ultimate controlling party *RMB'000*	Interest payable *RMB'000*
At 31 December 2018	1,380,000	1,756,763	42	56	–
Financing cash flows	(10,000)	(963,036)	–	22	(97,664)
Non-cash transactions					
Interest expense	–	–	–	–	97,664
Foreign exchange translation	–	7,993	1	1	–
At 31 December 2019	1,370,000	801,720	43	79	–
Financing cash flows	–	8,252	–	8	(8,258)
Non-cash transactions					
Offset to amounts due from fellow subsidiaries	–	(357,440)	–	–	–
Capitalisation to equity	–	(443,669)	(42)	(85)	–
Interest expense	–	–	–	–	73,257
Foreign exchange translation	–	(8,863)	(1)	(2)	–
At 30 September 2020	1,370,000	–	–	–	64,999
At 1 January 2019	1,380,000	1,756,763	42	56	–
Financing cash flows	(10,000)	(942,668)	–	22	(73,422)
Non-cash transactions					
Interest expense	–	–	–	–	73,422
Foreign exchange translation	–	15,048	1	2	–
At 30 September 2019 (unaudited)	1,370,000	829,143	43	80	–

37. INTERESTS IN SUBSIDIARIES

Details of Superb Power's subsidiaries as at 31 December 2017, 2018, 2019 and 30 September 2020 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital	Effective equity interest attributable to the Guangzhou Target Group				Principal activities
			As at 31 December			As at 30 September	
			2017	2018	2019	2020	
Longain Park Limited	Hong Kong	Hong Kong Dollar (HKD) 1	100%	100%	100%	100%	Investment holding

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital	Effective equity interest attributable to the Guangzhou Target Group				Principal activities
			As at 31 December			As at 30 September	
			2017	2018	2019	2020	
Guangzhou Target Company *	The PRC	RMB335,000,000	100%	100%	100%	100%	Development, lease and management of underground shopping mall

* Established as a wholly foreign owned enterprise in the PRC.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Guangzhou Target Group, Superb Power or any of its subsidiaries have been prepared in respect of any period subsequent to 30 September 2020.

The information set out in this Appendix does not form part of the Accountants' Report on the Jinzhou Target Group and the Guangzhou Target Group from Elite Partners, the Company's reporting accountants, as set out in "Appendix IV – Accountants' Report on the Jinzhou Target Group" and "Appendix V – Accountants' Report on the Guangzhou Target Group", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the Accountants' Reports set out in "Appendix IV – Accountants' Report on the Jinzhou Target Group" and "Appendix V – Accountants' Report on the Guangzhou Target Group".

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma consolidated statement of financial positions, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") set out below has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the effect of the acquisitions of 100 % equity interests of Sky Build Limited and its subsidiaries ("**Jinzhou Target Group**") and Superb Power Enterprises Limited and its subsidiaries ("**Guangzhou Target Group**") (collectively refer as the "**Target Groups**") (the "**Acquisition**") on the Group's consolidated financial position as at 30 June 2020 as if the Acquisitions had been completed on 30 June 2020 and the Group's consolidated profit or loss and other comprehensive income and Group's consolidated cash flows for the year ended 31 December 2019 as if the Acquisitions had been completed on 1 January 2019.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 which has been extracted from the published annual report of the Company for the year ended 31 December 2019 and unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 which has been extracted from the published interim report of the Company for the six months ended 30 June 2020; and (ii) the audited consolidated statements of financial position of the Target Groups as at 30 September 2020 and the audited consolidated statements of profit or loss and other comprehensive income of the Target Groups and the audited consolidated statements of cash flows of the Target Groups for the year ended 31 December 2019 which have been extracted from the accountants' reports thereon set out in Appendix IV and Appendix V to this circular.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position and results and cash flows of the Group that would have been attained had the Acquisitions been completed as at 30 June 2020 or for the year ended 31 December 2019 and in any future periods or on any future dates, as appropriate.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and that of the Target Groups, as set out in Appendix IV and Appendix V to this circular, and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2020

	The Group	The Jinzhou Target Group		The Guangzhou Target Group		Pro forma adjustments					The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6a)*	*(Note 6b)*	*(Note 7)*	*(Note 8)*	
Non-current assets											
Property, plant and equipment	6,444	80	91	480	548	–	–	–	–	–	**7,083**
Investment properties	753,858	699,000	797,481	1,994,000	2,274,931	–	–	–	–	–	**3,826,270**
Goodwill	–	–	–	–	–	1,354	16,509	–	–	–	**17,863**
Intangible assets	4,155	–	–	–	–	–	–	–	–	–	**4,155**
Mining rights	121,140	–	–	–	–	–	–	–	–	–	**121,140**
Financial assets at fair value through profit or loss	561	–	–	–	–	–	–	–	–	–	**561**
Rights-of-use assets	6,862	–	–	–	–	–	–	–	–	–	**6,862**
Deferred tax assets	39	–	–	–	–	–	–	–	–	–	**39**
Other non-current assets	6,000	–	–	–	–	–	–	–	–	–	**6,000**
	899,059	699,080	797,572	1,994,480	2,275,479	1,354	16,509	–	–	–	**3,989,973**

	The Group	The Jinzhou Target Group		The Guangzhou Target Group		Pro forma adjustments					The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6a)*	*(Note 6b)*	*(Note 7)*	*(Note 8)*	
Current assets											
Inventories	2,903	–	–	55	63	–	–	–	–	–	**2,966**
Financial assets at fair value through profit or loss	8,716	–	–	–	–	–	–	–	–	–	**8,716**
Accounts receivable	3,873	–	–	771	880	–	–	–	–	–	**4,753**
Other receivable, deposits and prepayments	879,346	1,299	1,482	11,445	13,057	–	–	–	–	–	**893,885**
Amount due from Jinzhou Target Group	–	–	–	62,062	70,806	–	–	–	(70,806)	–	**–**
Amounts due from fellow subsidiaries	–	–	–	1,482,441	1,691,300	–	(1,639,456)	(51,844)	–	–	**–**
Structured deposits	274,566	–	–	–	–	–	–	–	–	–	**274,566**
Bank balances and cash	410,685	791	902	3,571	4,074	(632,052)	–	51,844	–	(7,360)	**(171,907)**
	1,580,089	2,090	2,384	1,560,345	1,780,180	(632,052)	(1,639,456)	–	(70,806)	(7,360)	**1,012,979**

	The Group	The Jinzhou Target Group		The Guangzhou Target Group		Pro forma adjustments					The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6a)*	*(Note 6b)*	*(Note 7)*	*(Note 8)*	
Current liabilities											
Accrued liabilities and other payables	5,262	38,170	43,548	378,356	431,662	–	–	–	–	–	**480,472**
Borrowings	266,275	–	–	1,370,000	1,563,017	–	–	–	–	–	**1,829,292**
Other loan	118,798	–	–	–	–	–	–	–	–	–	**118,798**
Amount due to Guangzhou Target Company		62,062	70,806	–	–	–	–	–	(70,806)	–	**–**
Lease liabilities	2,925	–	–	–	–	–	–	–	–	–	**2,925**
Tax payables	101,732	–	–	–	–	–	–	–	–	–	**101,732**
	494,992	100,232	114,354	1,748,356	1,994,679	–	–	–	(70,806)	–	**2,533,219**
Net current assets (liabilities)	1,085,097	(98,142)	(111,970)	(188,011)	(214,499)	(632,052)	(1,639,456)	–	–	(7,360)	**(1,520,240)**
Total assets less current liabilities	1,984,156	600,938	685,602	1,806,469	2,060,980	(630,698)	(1,622,947)	–	–	(7,360)	**2,469,733**
Non-current liabilities											
Deferred tax liabilities	9,808	48,125	54,904	383,940	438,033	–	–	–	–	–	**502,745**
Lease liabilities	4,013	–	–	–	–	–	–	–	–	–	**4,013**
	13,821	48,125	54,904	383,940	438,033	–	–	–	–	–	**506,758**

	The Group	The Jinzhou Target Group		The Guangzhou Target Group		Pro forma adjustments					The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6a)*	*(Note 6b)*	*(Note 7)*	*(Note 8)*	
Net Assets	1,970,335	552,813	630,698	1,422,529	1,622,947	(630,698)	(1,622,947)	–	–	(7,360)	**1,962,975**
Capital and reserves											
Share capital	262,501	1	1	1	1	(1)	(1)	–	–	–	**262,501**
Reserves	1,704,976	552,812	630,697	1,422,528	1,622,946	(630,697)	(1,622,946)	–	–	(7,360)	**1,697,616**
Equity attributable to owners of the Company	1,967,477	552,813	630,698	1,422,529	1,622,947	(630,698)	(1,622,947)	–	–	(7,360)	**1,960,117**
Non-controlling interests	2,858	–	–	–	–	–	–	–	–	–	**2,858**
Total equity	1,970,335	552,813	630,698	1,422,529	1,622,947	(630,698)	(1,622,947)	–	–	(7,360)	**1,962,975**

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

	The Group	The Jinzhou Target Group		the Guangzhou Target Group		Pro forma Adjustments	The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 8)*	
Revenue							
Contracts with customers	19,955	–	–	–	–	–	**19,955**
Leases	6,588	23,436	26,582	14,115	16,010	–	**49,180**
Net investment losses	(616)	–	–	–	–	–	**(616)**
Total	25,927	23,436	26,582	14,115	16,010	–	**68,519**
Other income	51,353	8,033	9,111	141,465	160,457	–	**220,921**
Impairment loss under expected credit loss model, net of reversal	(39,641)	–	–	–	–	–	**(39,641)**
Other gains and losses	150,973	–	–	–	–	(7,360)	**143,613**
Purchases and changes in inventories	(12,473)	–	–	–	–	–	**(12,473)**
Employee benefits expenses	(43,855)	(1,612)	(1,828)	(7,335)	(8,320)	–	**(54,003)**
Other operating expenses	(55,494)	(6,594)	(7,479)	(17,946)	(20,355)	–	**(83,328)**
Change in fair value of investment properties	(72,505)	(12,124)	(13,752)	(1,000)	(1,134)	–	**(87,391)**
Changes in fair value of assets classified as held for sale	(17,412)	–	–	–	–	–	**(17,412)**
Impairment losses on mining rights	(170,821)	–	–	–	–	–	**(170,821)**
Finance costs	(15,291)	–	–	(97,664)	(110,775)	–	**(126,066)**
(Loss) profit before tax	(199,239)	11,139	12,634	31,635	35,883	(7,360)	**(158,082)**
Income tax (expenses) credit	(47,531)	3,031	3,438	250	284	–	**(43,809)**
(Loss) profit for the year	**(246,770)**	**14,170**	**16,072**	**31,885**	**36,167**	**(7,360)**	**(201,891)**

	The Group	The Jinzhou Target Group		the Guangzhou Target Group		Pro forma Adjustments	The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 8)*	
Other comprehensive (expense) income							
Items that may be reclassified subsequently to profit or loss:							
Exchange difference arising on translation of foreign operations	(17,264)	(6,137)	(6,961)	(5,806)	(6,585)	–	**(30,810)**
Reclassification of cumulative exchange differences to profit or loss upon disposal and deregistration of subsidiaries, a limited partnership and a structured entity	9,965	–	–	–	–	–	**9,965**
Other comprehensive expense for the year	(7,299)	(6,137)	(6,961)	(5,806)	(6,585)	–	**(20,845)**
Total comprehensive (expense) income for the year	**(254,069)**	**8,033**	**9,111**	**26,079**	**29,582**	**(7,360)**	**(222,736)**
(Loss) profit for the year attributable to:							
Owners of the Company	(246,440)	14,170	16,072	31,885	36,167	(7,360)	**(201,561)**
Non-controlling interests	(330)	–	–	–	–	–	**(330)**
	(246,770)	14,170	16,072	31,885	36,167	(7,360)	**(201,891)**
Total comprehensive income (expense) for the year attributable to:							
Owners of the Company	(253,751)	8,033	9,111	26,079	29,582	(7,360)	**(222,418)**
Non-controlling interests	(318)	–	–	–	–	–	**(318)**
	(254,069)	**8,033**	**9,111**	**26,079**	**29,582**	**(7,360)**	**(222,736)**

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

	The Group	The Jinzhou Target Group		The Guangzhou Target Group		Pro forma adjustments					The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 9)*	*(Note 10)*	*(Note 12)*	*(Note 8)*	*(Note 11)*	
OPERATING ACTIVITIES											
(Loss) Profit before tax	(199,239)	11,139	12,634	31,635	35,883	–	–	–	(7,360)	–	**(158,082)**
Adjustments for:											
Change in fair value of investment properties	72,505	12,124	13,752	1,000	1,134	–	–	–	–	–	**87,391**
Change in fair value of assets classified as held-for-sale	17,412	–	–	–	–	–	–	–	–	–	**17,412**
Change in fair value of structured deposits	(1,594)	–	–	–	–	–	–	–	–	–	**(1,594)**
Depreciation of property, plant and equipment	7,541	6	7	195	221	–	–	–	–	–	**7,769**
Depreciation of right of use assets	6,418	–	–	–	–	–	–	–	–	–	**6,418**
Finance cost	15,291	–	–	97,664	110,775	–	–	–	–	–	**126,066**
Net gain/losses on disposal and deregistration of subsidiaries, a limited partnership and a structured entity	(172,504)	–	–	–	–	–	–	–	–	–	**(172,504)**
Loss on disposal of properties, plant and equipment	896	8	9	76	86	–	–	–	–	–	**991**
Interest income	(26,536)	(4)	(5)	(99,429)	(112,777)	–	–	–	–	–	**(139,318)**
Impairment losses under ECL, net of reversal	39,641	–	–	–	–	–	–	–	–	–	**39,641**
Impairment losses on mining right	170,821	–	–	–	–	–	–	–	–	–	**170,821**

	The Group	The Jinzhou Target Group		The Guangzhou Target Group		Pro forma adjustments					The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 9)*	*(Note 10)*	*(Note 12)*	*(Note 8)*	*(Note 11)*	
Reparation interest income from previously redeemed loan note and receivable	(23,551)	–	–	–	–	–	–	–	–	–	**(23,551)**
Unrealized exchange losses	19,026	–	–	–	–	–	–	–	–	–	**19,026**
Transaction cost for acquisition of subsidiaries	–	–	–	–	–	–	–	–	7,360	–	**7,360**
Operating cash flows before movements in working capital	**(73,873)**	**23,273**	**26,397**	**31,141**	**35,322**	**–**	**–**	**–**	**–**	**–**	**(12,154)**
(Increase) decrease in inventories	(403)	–	–	1	1	–	–	–	–	–	**(402)**
Increase in financial asset at FVTPL	(38)	–	–	–	–	–	–	–	–	–	**(38)**
Decrease in accounts receivable	86,667	–	–	54	61	–	–	–	–	–	**86,728**
Decrease (increase) in other receivables, deposits and prepayments	22,505	(54)	(61)	16	18	–	–	–	–	–	**22,462**
Decrease in accounts payable	(735)	–	–	–	–	–	–	–	–	–	**(735)**
Decrease in accrued liabilities and other payables	(18,619)	(6,381)	(7,238)	(10,295)	(11,677)	–	–	–	–	–	**(37,534)**

	The Group	The Jinzhou Target Group		The Guangzhou Target Group		Pro forma adjustments					The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 9)*	*(Note 10)*	*(Note 12)*	*(Note 8)*	*(Note 11)*	
Cash generated from operations	15,504	16,838	19,098	20,917	23,725	–	–	–	–	–	**58,327**
Income tax paid	(1,309)	–	–	–	–	–	–	–	–	–	**(1,309)**
Interest received	–	4	5	16	18	–	–	–	–	–	**23**
Dividend received	173	–	–	–	–	–	–	–	–	–	**173**
NET CASH FROM OPERATING ACTIVITIES	**14,368**	**16,842**	**19,103**	**20,933**	**23,743**	**–**	**–**	**–**	**–**	**–**	**57,214**
INVESTING ACTIVITIES											
Proceeds from redemption of structured deposits	556,997	–	–	–	–	–	–	–	–	–	**556,997**
Net cash inflows from disposal of subsidiaries	444,251	–	–	–	–	–	–	–	–	–	**444,251**
Net cash outflow from acquisition of subsidiaries, including transaction cost	–	–	–	–	–	(630,737)	3,898	–	(7,360)	–	**(634,199)**
Repayment of loan receivables	209,511	–	–	–	–	–	–	–	–	–	**209,511**
Interest received	26,536	–	–	–	–	–	–	–	–	–	**26,536**
Proceeds from disposal of property, plant and equipment	2,065	–	–	–	–	–	–	–	–	–	**2,065**
Placement of structured deposits	(336,399)	–	–	–	–	–	–	–	–	–	**(336,399)**
Loan advance to a third party	(272,479)	–	–	–	–	–	–	–	–	–	**(272,479)**
Acquisition/addition of investment properties	(17,412)	(13,124)	(14,886)	(472)	(535)	–	–	–	–	–	**(32,833)**

	The Group	The Jinzhou Target Group		The Guangzhou Target Group		Pro forma adjustments					The Enlarged Group
	HK$'000	RMB'000	HK$'000	RMB'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 9)*	*(Note 10)*	*(Note 12)*	*(Note 8)*	*(Note 11)*	
Acquisition of properties, plant and equipment	(269)	(16)	(18)	–	–	–	–	–	–	–	**(287)**
Payment of rental deposits	(102)	–	–		–	–	–	–	–	–	**(102)**
Advance to fellow subsidiaries	–	(10,500)	(11,910)	(2,030)	(2,303)	–	–	–	–	–	**(14,213)**
Repayment from fellow subsidiaries	–	3,951	4,481	–	–	–	–	–	–	–	**4,481**
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**612,699**	**(19,689)**	**(22,333)**	**(2,502)**	**(2,838)**	**(630,737)**	**3,898**	**–**	**(7,360)**	**–**	**(46,671)**
FINANCING ACTIVITIES											
Dividends paid	(1,050,004)	–	–	–	–	–	–	–	–	–	**(1,050,004)**
Repayment of other borrowings	(166,590)	–	–	–	–	–	–	–	–	–	**(166,590)**
Repayment of bank borrowings	(154,102)	–	–	(10,000)	(11,342)	–	–	–	–	–	**(165,444)**
Interest paid	(15,291)	–	–	(97,664)	(110,775)	–	–	–	–	–	**(126,066)**
Repayments of lease liabilities	(6,169)	–	–	–	–	–	–	–	–	–	**(6,169)**
Proceeds from other borrowings raised	165,000	–	–	–	–	–	–	–	–	–	**165,000**
Repayment of other payable	–	–	–	–	–	–	–	(91)	–	51,844	**51,753**
Advance from other payable	–	–	–	–	–	–	–	108,505	–	–	**108,505**
Advance from the ultimate controlling party	–	6	7	22	25	–	–	(32)	–	–	**–**
Advances from fellow subsidiares	–	3,778	4,285	91,856	104,188	–	–	(108,473)	–	–	**–**
Repayments to fellow subsidiaries	–	–	–	(80)	(91)	–	–	91	–	–	**–**
NET CASH (USED IN) FINANCING ACTIVITIES	**(1,227,156)**	**3,784**	**4,292**	**(15,866)**	**(17,995)**	**–**	**–**	**–**	**–**	**51,844**	**(1,189,015)**

	The Group	The Jinzhou Target Group		The Guangzhou Target Group		Pro forma adjustments					The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 3)*	*(Note 4)*	*(Note 9)*	*(Note 10)*	*(Note 12)*	*(Note 8)*	*(Note 11)*	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(600,089)	937	1,062	2,565	2,910	(630,737)	3,898	–	(7,360)	51,844	**(1,178,472)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,168,022	1,155	1,315	3,423	3,898	(1,315)	(3,898)	–	–	–	**1,168,022**
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	(7,693)	–	10	–	25	–	–	–	–	–	**(7,658)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**560,240**	**2,092**	**2,387**	**5,988**	**6,833**	**(632,052)**	**–**	**–**	**(7,360)**	**51,844**	**(18,108)**

Notes:

(1) The unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 were extracted from the published interim report of the Company for the six months ended 30 June 2020, and the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2019 were extracted from the published annual report of the Company for year ended 31 December 2019.

(2) The audited consolidated statement of financial position of the Jinzhou Target Group as at 30 September 2020 and the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Jinzhou Target Group for the year ended 31 December 2019 were extracted from the accountants' report of the Jinzhou Target Group as set out in Appendix IV to the circular.

(3) The audited consolidated statement of financial position of the Guangzhou Target Group as at 30 September 2020 and the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Guangzhou Target Group for the year ended 31 December 2019 were extracted from the accountants' report of the Guangzhou Target Group as set out in Appendix V to the circular.

(4) For the purpose of preparation of the unaudited pro forma financial information, the exchange rates adopted are as follows:

As at 30 September 2020	RMB1= HK$1.1409
As at 1 January 2019	RMB1= HK$1.1387
Average rate in the year ended 31 December 2019	RMB1= HK$1.1342

No representation is made that the Renminbi ("**RMB**") amounts have been, could have been or could be converted to Hong Kong Dollar ("**HK$**"), or vice versa, at those rates or at any other rates or at all.

(5) The adjustment represents consolidation entry for the elimination of the investment cost of the Jinzhou Target Group, and allocation of the cost of the acquisition to the identifiable assets acquired and liabilities assumed by the Company and recognition of the goodwill on consolidation of HK$1,354,000. As set out in this Circular, the consideration will be satisfied by cash (the "**Cash Consideration**"). It is the intention of the Directors of the Company that the Cash Consideration is to be financed by internal resources.

The identifiable assets and liabilities of the Jinzhou Target Group will be accounted for at their fair values using the acquisition accounting method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("**HKFRS 3**").

For the purpose of the Unaudited Pro Forma Financial Information, the Directors assumed that the pro forma fair value of the identifiable assets and liabilities of the Jinzhou Target Group are approximated to their respective carrying amounts at 30 September 2020 and hence the fair value adjustment is immaterial.

The recognition of goodwill on acquisition as if the acquisition had been completed as at 30 June 2020 is as follows:

	HK$'000
Consideration for the acquisition of the Jinzhou Target Group (RMB554,000,000)	632,052
Less: Assumed fair value of the net identifiable asset of the Jinzhou Target Group	630,698
Goodwill arising from the acquisition of the Jinzhou Target Group	1,354

Since the fair values of the identifiable assets and liabilities of the Jinzhou Target Group as at the date of completion when the Group obtains control over the Jinzhou Target Group will be different from their respective fair values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amount of the identifiable assets and liabilities, and goodwill or discount on acquisition, whichever is applicable, to be recognized by the Group in its financial statements will be different from the estimated amounts shown in the Unaudited Pro Forma Financial Information.

For the purpose of the unaudited pro forma financial information of the Enlarged Group, the Directors have performed an impairment assessment on the provisional goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**") and concluded that there would have been no impairment of the goodwill if the Acquisition had been completed on 30 June 2020 for the purpose of unaudited pro forma consolidated statement of financial position. The recoverable amount under impairment assessment was derived based on the value-in-use calculations assuming that (i) there are no material adverse changes in the fair values of the assets and liabilities of the Jinzhou Target Group; and (ii) the identifiable assets and liabilities can be realized at their carrying amounts. However, should there be any adverse changes to the business of the Jinzhou Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognized against provisional goodwill in accordance with HKAS 36 and the Group's accounting policies.

The Directors confirmed that they will adopt consistent approach (including valuation method, accounting policy and principle assumptions) to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36.

(6a) The adjustment represents consolidation entry for the elimination of the investment cost of the Guangzhou Target Group, and allocation of the cost of the acquisition to the identifiable assets acquired and liabilities assumed by the Company and recognition of the goodwill on consolidation of HK$16,509,000. As set out in this circular, the consideration will be satisfied by assignment of partial advance to the Seller from the Guangzhou Target Group to the Company, amounting to RMB1,437 million (the "**Settlement**") while the remaining balance as at the date of completion will be settled by cash.

The identifiable assets and liabilities of the Guangzhou Target Group will be accounted for at their fair values using the acquisition accounting method in accordance with HKFRS 3.

For the purpose of the Unaudited Pro Forma Financial Information, the Directors assumed that the pro forma fair value of the identifiable assets and liabilities of the Guangzhou Target Group are approximated to their respective carrying amounts at 30 September 2020 and hence the fair value adjustment is immaterial.

The recognition of goodwill on acquisition as if the acquisition had been completed as at 30 June 2020 is as follows:

	HK$'000
Consideration for the acquisition of the Guangzhou Target Group (RMB1,437,000,000)	1,639,456
Less: Assumed fair value of the net identifiable asset of the Guangzhou Target Group	1,622,947
Goodwill arising from the acquisition of the Guangzhou Target Group	16,509

Since the fair values of the identifiable assets and liabilities of the Guangzhou Target Group as at the date of completion when the Group obtains control over the Guangzhou Target Group will be different from their respective fair values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amount of the identifiable assets and liabilities, and goodwill or discount on acquisition, whichever is applicable, to be recognized by the Group in its financial statements will be different from the estimated amounts shown in the Unaudited Pro Forma Financial Information.

For the purpose of the unaudited pro forma financial information of the Enlarged Group, the Directors have performed an impairment assessment on the provisional goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**") and concluded that there would have been no impairment of the goodwill if the Acquisition had been completed on 30 June 2020 for the purpose of unaudited pro forma consolidated statement of financial position. The recoverable amount under impairment assessment was derived based on the value-in-use calculations assuming that (i) there are no material adverse changes in the fair values of the assets and liabilities of the Guangzhou Target Group; and (ii) the identifiable assets and liabilities can be realized at their carrying amounts. However, should there be any adverse changes to the business of the Guangzhou Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognized against provisional goodwill in accordance with HKAS 36 and the Group's accounting policies.

The Directors confirmed that they will adopt consistent approach (including valuation method, accounting policy and principle assumptions) to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36.

Since the fair values of the identifiable assets and liabilities of the Guangzhou Target Group as at the date of completion when the Group obtains control over the Guangzhou Target Group will be different from their respective fair values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amount of the identifiable assets and liabilities, and goodwill or discount on acquisition, whichever is applicable, to be recognized by the Group in its financial statements will be different from the estimated amounts shown in the Unaudited Pro Forma Financial Information.

(6b) The adjustment represents the settlement of the remaining balance between the Seller and the Guangzhou Target Group by cash prior the completion of the acquisition as if the acquisition of the Guangzhou Target Group is 30 June 2020. The remaining amount of the balance after deducting the portion for the Settlement at 30 September 2020 is approximately HK$51,844,000.

(7) The adjustment represents elimination of the balances between companies within the Enlarged Group on the unaudited pro forma consolidated statement of financial statement upon the completion of the Acquisition as if the Acquisition is completed at 30 June 2020.

(8) The adjustment represents the estimated transaction costs of approximately HK$7,360,000, including the accountancy, legal, valuation and other professional services related to the Acquisition. The expenses are charged to profit or loss directly.

(9) The adjustment represented the net cash outflows arising in the acquisition of Jinzhou Target Group as if the acquisition was completed on 1 January 2019 as follows:

	HK$'000
Cash consideration paid	632,052
Less: Bank balances and cash of the Jinzhou Target Group as at 1 January 2019 acquired	1,315
	630,737

(10) The adjustment represented the net cash inflows arising in the acquisition of the Guangzhou Target Group as if the acquisition was completed on 1 January 2019 as follows:

	HK$'000
Bank balances and cash of the Guangzhou Target Group as at 1 January 2019 acquired	3,898
	3,898

(11) The adjustment represents the settlement of the remaining balance between the Seller and the Guangzhou Target Group by cash prior the completion of the acquisition. The remaining amount of the balance after deducting the portion for the Settlement at 1 January 2019 is approximately HK$51,844,000 as if the acquisition of the Guangzhou Target Group is 1 January 2019.

(12) The adjustment represents reclassification of (1) repayment to fellow subsidiaries to other payable and (2) advance from fellow subsidiaries and the ultimate controlling party on the unaudited pro forma consolidated statement of cash flow upon the completion of the Acquisition.

(13) No adjustments have been made to adjust any trading results or other transactions of the Group or the Target Group entered into subsequent to 30 June 2020 and 30 September 2020.

(14) All the pro forma adjustments will not have a continuing effect on the Enlarged Group in the subsequent reporting periods.

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

TO THE DIRECTORS OF TAI UNITED HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tai United Holdings Limited (the "**Company**") and its subsidiaries, (collectively referred to as the "**Group**") including Sky Build Limited and its subsidiaries and Superb Power Enterprises Limited and its subsidiaries (the "**Target Groups**") (together with the Target Groups hereinafter referred to as the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial positions as at 30 June 2020, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 and related notes as set out on pages VI-1 to VI-17 of Appendix VI of the circular issued by the Company dated 26 March 2021 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages VI-1 to VI-17 of Appendix VI of the circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of very substantial acquisition of shopping mall businesses in the People's Republic of China ("**PRC**") (the "**Acquisition**") on the Group's consolidated financial position as at 30 June 2020 as if the Acquisition had taken place at 30 June 2020 and the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2019 as if the Acquisition had taken place at 1 January 2019. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from Group's unaudited condensed consolidated financial statement as included in the Group's interim report for the six months ended 30 June 2020, on which no audit or review report has been published; and information about the Group's consolidated financial performance and consolidated cash flow have been extracted by the Directors from the Group's audited consolidated financial statement as included in the annual report for the year ended 31 December 2019, on which audit report has been published.

Directors' Responsibilities 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 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountant's 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 ("**HKSAE**") 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 accountant comply with ethical requirements and 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 pro forma financial information.

The purpose of unaudited pro forma financial information included in circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 and for the year ended 31 December 2019 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 event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Elite Partner CPA Limited
Certified Public Accountants
Leung Man Kin
Practicing Certificate Number: P07174

Hong Kong

26 March 2021

The following is the text of the letter, summary of valuation and valuation report received from Norton Appraisals Limited, an independent valuer, prepared for the purpose of inclusion in this circular, in connection with its valuation as at 31st December, 2020 of the property interests of the Jinzhou Target Group and the Guangzhou Target Group.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Unit F, 18/F., Seabright Plaza
9–23 Shell Street
North Point, Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

26 March 2021

The Directors
Tai United Holdings Limited
Room 2902, 29th Floor
China United Centre
28 Marble Road
North Point
Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with the instructions from Tai United Holdings Limited (the "**Company**") for us to value the properties located in the People's Republic of China (the "**PRC**") in which to be acquired by the Company and/or its subsidiaries (together referred to as the "**Group**"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the property interests as at 31 December 2020 (the "**valuation date**").

BASIS OF VALUATION

Our valuations have been undertaken on the basis of the Market Value, which is defined by The Hong Kong Institute of Surveyors 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".

In valuing the property interests, we have assumed that the owner has valid and enforceable title to the property interests which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the land use terms granted subject to payment of annual land use fees and all requisite premium payable have been fully paid.

VALUATION METHODOLOGY

In arriving at our opinion of values, we have adopted Investment Approach by taking into account the current rents passing and the reversionary income potential of the tenancies. For the property which are currently vacant or self-occupied, we have valued the property interests by capitalization of the hypothetical and reasonable market rents with a typical lease term and also make reference to the Direct Comparison Approach.

TITLE INVESTIGATION

For property interests located in the PRC, we have been provided with copies of extracts of title documents. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Group and its PRC legal adviser, Beijing Jingtian & Gongcheng Attorneys at Law (北京市競天公誠律師事務所) (the "**PRC Legal Adviser**"), regarding the title and other legal matters relating to such property interests.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the properties on the open market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of such property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting sales of the properties and no forced sale situation in any manner is assumed in our valuations.

We have inspected the exterior and, where possible, the interior of the properties, by Mr. Zhong Ai Min and Mr. Tu Zheng Fu (each an Asset Appraiser in the China Asset Appraisal Society) on 25th and 28th January 2021, including the physical external and internal building conditions, surrounding environments, pedestrian flow, accessibility, internal finishing, shop layout and facilities provided etc.. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the properties are free from rot, infestation or other defects.

We have not carried out site measurements to verify the correctness of the site and floor areas in respect of the relevant properties but have assumed that the areas shown on the documents and floor plans handed to use are correct. All dimensions, measurements and areas included in the attached valuation report are based on information contained in the documents provided to us by the Group and therefore only approximations.

VALUATION CONSIDERATIONS

We have relied to a considerable extent on the information provided by the Group and have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy, tenancy summaries, site and floor areas and all other relevant matter in the identification of the property interests.

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

Our valuation has been carried out in accordance with The HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices. Our valuation have also been prepared under the generally accepted valuation procedures and are in compliance with Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB).

Our summary of values and the valuation report are enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

Paul M. K. Wong *MHKIS, RPS (G.P.), MCIREA*
Director

Note: Mr. Paul M. K. Wong is a Registered Professional Surveyor who has more than 30 years' experience in valuation of properties in Hong Kong and in the PRC.

SUMMARY OF VALUES

No.	Property	Market value in Existing state as at 31 December 2020 *RMB*
	Property interests to be acquired by the Group for Investment in the PRC	
1	Portions of Phase I of Guangzhou First Tunnel Shopping Mall located at the junction of Zhanqian Road and Zhannan Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	332,000,000
2	Portions of Phase II of Guangzhou First Tunnel Shopping Mall located at the junction of Zhanqian Road and Zhannan Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	1,662,000,000
3	Portions of Jinzhou First Tunnel Shopping Mall, Zhongyang Avenue, Linghe District, Jinzhou City, Liaoning Province, the PRC	699,000,000
	Total:	**2,693,000,000**

VALUATION REPORT

Property interests to be acquired by the Group for Investment in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market value in Existing state as at 31 December 2020 *RMB*
1	Portions of Phase I of Guangzhou First Tunnel Shopping Mall located at the junction of Zhanqian Road and Zhannan Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	The property comprises various retail units in a 2-storey underground shopping mall (the "**Project**") with a site area of approximately 24,855 sq.m. completed in 2006. The total gross floor area of the property is approximately 4,250 sq.m. The land use rights of the Project have been granted for a term of 40 years expiring on 11 December 2046 for commercial/services and special uses.	Portions of the property with a total gross floor area of approximately 3,490.99 sq.m. are subject various tenancies for various terms with latest expiry date on 31 December 2022 whilst the remaining portions are currently vacant.	332,000,000

Notes:

(a) Pursuant to the State-owned Land Use Rights Certificate, Sui Fu Guo Yong (2006) No. 01100189, issued by Guangzhou People's Government dated 18 December 2006, the land use rights of the Project with a site area of 24,854.805 sq.m. have been granted to Guangzhou Renhe New World Public Facilities Co., Ltd. (廣州人和新天地公共設施有限公司), currently renamed as Guangzhou Rongzhi Public Facilities Investment Co. Ltd. (廣州融智公共設施投資有限公司) ("**Guangzhou Target Company**") for terms of 70 years for residential use, 40 years for commercial/tourism/entertainment and 50 years for other uses, all commencing on 12 December 2006.

(b) Pursuant to Approval Letter No. (2003) Guo Ren Fang Bam Zi Di 207 issued from National Civil Air Defense Office dated 4 September 2003, the proposed development of the Project has been approved.

(c) Pursuant to the Approval Letter issued by Guangzhou Civil Air Defense Office ("**Guangzhou Defense Office**") dated 29 May 2008, Guangzhou Defense Office confirms that Guangzhou Target Company has contributed to the development of the Project in 2005 and according to the related People's Defense Project Principle of "who invests may entitles to manage, use and benefit from the project" with not less than 40 years from the commencing date of operation and also can freely to lease and transfer the operation rights of the shops during the period.

(d) Pursuant to the Construction and Engineering Planning Permit, Sui Gui Jian Zheng (2005) No. 879, dated 13 June 2005, construction of the Project, comprising a 2-storey basement with a total gross floor area of 47,554 sq.m., was permitted.

(e) Pursuant to the Construction Commencement Permit No. 440101200509210101 dated 21 September 2005, the construction of the project was permitted to commence.

(f) Pursuant to the Business Licence No. 914401077567844XK dated 26 March 2019, Guangzhou Target Company has been established with a registered capital of RMB335,000,000 and the business period is from 3 August 2005 to 3 August 2045 and the scope of business is for market operation management; booth rental; investment management services; business management consulting services; property management; retail and wholesale of clothing, clothing accessories and shoes; general merchandise retail with exception of food; retail of daily use sundries; retail and wholesale of daily household appliances, furniture and hardware products; wholesale of building and decoration materials; import and export of technology; commission agency.

(g) We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) Guangzhou Target Company has been granted with the land use rights of the Project with terms of 70 years for residential, commercia/tourism/entertainment for 40 years and other uses for 50 years commencing from 12 December 2006.

(ii) The Approval Letter dated 4 September 2003 issued by the National Civil Air Defense Office is valid and legally binding.

(iii) Guangzhou Target Company has the rights of occupy, use the Project and receive income from the Project with a term of not less than 40 years from the commencing date of operation.

(iv) The Project is not subject to mortgage, being seized or other any adverse encumbrances.

(v) Guangzhou Target Company should ensure to hand over the Project immediately to the PRC or relevant government authorities to use for the duration of war time.

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market value in Existing state as at 31 December 2020 *RMB*
2	Portions of Phase II of Guangzhou First Tunnel Shopping Mall located at the junction of Zhanqian Road and Zhannan Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	The property comprises various retail units in a 2-storey underground shopping mall (the "**Project**") completed in January 2016. The total gross floor area of the property is approximately 41,861 sq.m. (including car parking area with a total gross floor area of approximately 5,587 sq.m.). The operation rights of the Project are held for a term of not less than 40 years.	Portions of the property with a total gross floor area of approximately 23,495.3 sq.m. are subject various tenancies for various terms with latest expiry date on 31 May 2024 whilst the remaining portions are currently vacant.	1,662,000,000

Notes:

(a) Pursuant to the Approval to the proposed development of Civil Air Defense Project located at Zhanqian Road, Guangzhou No. Guo Ren Fang (2006) 176 dated 7 July 2006, the proposed development of the Project has been approved by National Civil Air Defense Office.

(b) Pursuant to the Construction Land Usage Planning Permit No. Sui Gui De Zheng (2012) 180 dated 9 July 2012, the proposed development of the Project has been approved by Guangzhou Urban Planning Bureau.

(c) Pursuant to the Reply to Temporary Construction Permit of Key Urban Project in Guangzhou (廣州市城建重點工程臨時施工覆函) No. 2013 D003 dated 30 May 2013, the construction of the Project was permitted to commence with an initial valid expiry date of 30 August 2013 and which was later extended up to 13 April 2015.

(d) Pursuant to a Construction and Engineering Planning Permit, Sui Gui Jian Zheng (2012) No. 1547, dated 22 August 2012, construction of the Project, comprising 2-storey basement with a total gross floor area of 41,861 sq.m., was permitted to be developed by Guangzhou Renhe New World Public Facilities Co., Ltd., currently renamed as Guangzhou Rongzhi Public Facilities Investment Co. Ltd. (廣州融智公共設施投資有限公司) ("**Guangzhou Target Company**").

(e) Pursuant to a Construction Fire Service Completion Inspection Opinion No. Sui Gong Xiao Yan Zi (2016) Di 006, dated 4 January 2016, the completion inspection of fire service of the Project were passed.

(f) Pursuant to the Business Licence No. 914401077567844XK dated 26 March 2019, Guangzhou Target Company was established with a registered capital of RMB335,000,000 and the business period is from 3 August 2005 to 3 August 2045 and the scope of business is for market operation management; booth rental; investment management services; business management consulting services; property management; retail and wholesale of clothing, clothing accessories and shoes; general merchandise retail with exception of food; retail of daily use sundries; retail and wholesale of daily household appliances, furniture and hardware products; wholesale of building and decoration materials; import and export of technology; commission agency.

(g) We have been provided with the Group's PRC legal adviser's opinion, which *inter-alia*, contains the following:

(i) The Approval Letter, No. Guo Ren Fang (2006) 176 is valid and legally binding.

(ii) Pursuant to the Approval Letter issued by Guangzhou Civil Air Defense Office ("**Guangzhou Defense Office**") dated 29 May 2008, Guangzhou Defense Office confirms that Guangzhou Target Company has contributed to the development of the Project in 2005 and according to the related People's Defense Project Principle of "who invests may entitles to manage, use and benefit from the project" with not less than 40 years from the commencing date of operation and also can freely to lease and transfer the operation rights of the shops during the period.

(iii) Guangzhou Target Company has the rights of occupy, use the Project and receive income from the Project with a term of not less than 40 years from the commencing date of operation.

(iv) The Project is not subject to mortgage, being seized or other any adverse encumbrances.

(v) Guangzhou Target Company should ensure to hand over the Project immediately to the PRC or relevant government authorities to use for the duration of war time.

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market value in Existing state as at 31 December 2020 *RMB*
3	Portions of Jinzhou First Tunnel Shopping Mall, Zhongyang Avenue, Linghe District, Jinzhou City, Liaoning Province, the PRC	The property comprises various retail units in a single-storey underground shopping mall (the "**Project**") completed in 2013. The total gross floor area of the property is approximately 40,346 sq.m. The operation rights of the Project are held for 40 years.	Portions of the property with a total gross floor area of approximately 32,600.46 sq.m. are subject to various tenancies for various terms with latest expiry date on 19 November 2021 whilst the remaining portions are currently vacant.	699,000,000

Notes:

(a) Pursuant to a Civil Air Defense Construction Use Contract dated 24 August 2010, Jinzhou Renhe First Tunnel Public Facilities Management Co., Ltd., currently renamed as Jinzhou Jiachi Public Facilities Management Co., Ltd. (錦州嘉馳公共設施管理有限公司) ("**Jinzhou Target Company**"), has been approved to develop the underground civil air defense space of the Project for commercial operation, has the rights to use and lease the project and is entitled to receive income from the project for 40 years from the commencement date of operation.

(b) Pursuant to the Approval Letter to the development of the Project located in Jinzhou Zhongyang Avenue (the "**Approval Letter**") (Guo Ren Fang No. (2010) 456) issued by National Civil Air Defense Office on 9 November 2010, the proposed development of the Project was permitted.

(c) Pursuant to a Construction and Engineering Planning Permit, Jian Zi Di No. 210700201180, dated 2 December 2011, the Project with a total gross floor area of 42,819 sq.m. was permitted to be developed.

(d) Pursuant to a Construction Works Commencement Permit, No. 210700201112300219103894, dated 30 December 2011, the construction work of the Project was permitted to commence.

(e) Pursuant to a Construction Project Fire Service Inspection Opinion, dated 12 November 2013, the inspection for fire service of the project was passed.

(f) Pursuant to the Business Licence No. 91210700552591603X dated 3 July 2017, Jinzhou Target Company was established with a registered capital of USD49,800,000 and the business period is from 28 April 2010 to 27 April 2050 and the scope of business is for underground parking lot operation and space construction; property management; site rental; civil air defense engineering; sales of daily necessities, pre-packaged and package-free food, agricultural products with exception of food and cotton, aquatic products, jewelries, office supplies, cosmetics, clothing, furniture, electronic products and hardware products; catering services. Projects which require legal approval can only operate after receiving the approval from relevant departments.

(g) We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

(i) The Approval Letter dated 9 November 2010 is valid and legally binding.

(ii) Jinzhou Target Company has the rights of occupy, use the Project and receive income from the Project with a term of not less than 40 years from the commencing date of operation.

(iii) The Project is not subject to mortgage, being seized or other any adverse encumbrances.

(iv) Jinzhou Target Company should ensure to hand over the Project immediately to the PRC or relevant government authorities to use for the duration of war time.

A. RESPONSIBILITY STATEMENT

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

B. DISCLOSURE OF INTERESTS

1. Directors' Interests

None of the Directors or the chief executive of the Company or any of their associates had or were deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register required to be kept pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**").

2. Substantial Shareholders' Interests

Save as disclosed below, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had interests or short positions 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 as recorded in the register required to be kept under section 336 of the SFO (the "**Register of Shareholders**") or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Nature of interest[(1)]	Number of issued Shares	Approximate percentage of interest in the Company[(2)]
Satinu Resources Group Ltd.	Interests of controlled corporation	L	3,937,234,889	74.99%[(3)]
Songbird SG PTE. Ltd.	Beneficial owner	L	3,937,234,889	74.99%

Notes:

(1) The letter "L" denotes the person's long position in the Shares, and the letter "S" denotes the person's short position in the Shares.

(2) The percentage represented the number of Shares held over the total number of issued Shares of 5,250,019,852 shares as at 30 June 2020.

(3) Satinu Resources Group Ltd. indirectly wholly owns Yellowbird Capital Management (GP) Limited, which is the general partner of Yellowbird Special Opportunities Fund L.P. Yellowbird Special Opportunities Fund, L.P. indirectly wholly owns Songbird SG PTE. Ltd., which in turn owns 74.99% of the issued Shares.

Save as disclosed above, there is no person (other than a Director or the chief executive of the Company) as at the Latest Practicable Date, had 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

C. DIRECTORS' SERVICE CONTRACTS

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

D. OTHER ARRANGEMENTS INVOLVING DIRECTORS

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

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Enlarged Group.

E. LITIGATION

As at the Latest Practicable Date, none of the Company, the Enlarged Group nor any of its subsidiaries 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 the members of the Group.

F. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

G. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by the Group and are or may be material:

(a) the Jinzhou Share Purchase Agreement; and

(b) the Guangzhou Share Purchase Agreement.

H. EXPERTS' CONSENT AND QUALIFICATIONS

Each of Jingtian & Gongcheng, Elite Partners and Norton Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or valuation (as appropriate) and the references to their names included herein in the form and context in which it is included, respectively.

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

Name	Qualifications
Jingtian & Gongcheng	Legal advisers to the Company as to PRC laws
Elite Partners	Certified Public Accountants
Norton Appraisals Limited	Independent Professional Valuer

Each of the experts named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

I. MATERIAL ADVERSE CHANGE

The Directors confirm that, save and except as disclosed in (i) the announcement of the Company dated 5 May 2020 regarding the striking off of a subsidiary and the cessation of commodity trading business of the Group; (ii) the interim results announcement of the Company for the six months ended 30 June 2020 dated 27 August 2020; (iii) the interim report of the Company for the six months ended 30 June 2020 published on 24 September 2020 and (iv) the announcements of the company regarding the Decision, the Review and the Acquisitions dated 21 September 2020, 23 September 2020, 24 December 2020 and 8 February 2021, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest audited consolidated financial statements of the Company were made up.

J. CORPORATE INFORMATION

Company secretary:	Ms. Yam Wai Wah Jenny
Registered Office:	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
Head Office and Principal Place of Business in Hong Kong:	Room 2902, 29th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong

K. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours, Monday to Friday (other than public holidays) at the principal place of business of the Company at Room 2902, 29th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this circular up to and including 14 April 2021:

(a) the material contracts as set out under paragraph headed “G. Material Contracts” of this appendix above;

(b) 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;

(c) the Accountants’ Report on the Jinzhou Target Group prepared by Elite Partners, the text of which is set out in Appendix IV to this circular;

(d) the Accountants’ Report on the Guangzhou Target Group prepared by Elite partners, the text of which is set out in Appendix V to this circular;

(e) the report on the Unaudited Pro Forma Financial Information of the Enlarged Group prepared by Elite Partners, the text of which is set out in Appendix VI to this circular;

(f) the Property Valuation Report on the Jinzhou Target Group and the Guangzhou Target Group prepared by Norton Appraisals Limited, the text of which is set out in Appendix VII to this circular;

(g) the consent letters referred to in the paragraph headed "H. Expert's consent and qualifications" in this appendix above;

(h) this circular; and

(i) the memorandum of association and bye-laws of the Company.

L. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.

太和控股有限公司
TAI UNITED HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 718)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") of Tai United Holdings Limited ("**Company**") will be held at 10:30 a.m. on Wednesday, 21 April 2021 at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, passing the following as an ordinary resolution of the Company, with or without amendments:

Capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 26 March 2021 to the Shareholders ("**Circular**") unless otherwise specified.

ORDINARY RESOLUTION

"**THAT**:

the Acquisitions and the transactions contemplated thereunder, be and are hereby approved and confirmed, and the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated in this resolution."

By Order of the Board
Tai United Holdings Limited
Kwong Kai Sing Benny
Chief Executive Officer

Hong Kong, 26 March 2021

Notes:

(1) A form of proxy for use at the SGM is enclosed herewith.

(2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.

(3) Any Shareholder entitled to attend and vote at the SGM convened by the above notice shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a Shareholder.

(4) To be effective, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event by 10:30 a.m. on Monday, 19 April 2021 or not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be).

(5) Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the SGM convened and in such event, the form of proxy will be deemed to be revoked.

(6) Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the SGM, whether in person or by proxy, the vote of the senior who tenders a vote shall be accepted to the exclusion of votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.

(7) For the purpose of determining eligibility to attend and vote at the SGM as members of the Company, the register of members of the Company will be closed from Friday, 16 April 2021 to Wednesday, 21 April 2021, both days inclusive, on which period no transfer of the Shares will be registered. All transfer of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 15 April 2021.

(8) If typhoon signal no. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the SGM but before it has commenced, the SGM will be postponed. The Company will publish an announcement on the website of the Company at www.irasia.com/listco.hk/taiunited/index.htm and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.

As at the date of this notice, the Board comprises the following Directors:

Executive Directors:
Mr. Kwong Kai Sing Benny *(Chief Executive Officer)*
Mr. Chen Weisong
Mr. Chow Chi Wah Vincent
Mr. Wang Hongfang

Independent non-executive Directors:
Dr. Gao Bin
Ms. Liu Yan
Mr. Tang King Shing

SPECIAL NOTICE

For ongoing prevention and control of the COVID-19 pandemic and to safeguard the health and safety of the Shareholders and other persons attending the SGM, the Company regrets to inform the Shareholders that there will be no distribution of corporate gift or serving of refreshment in the SGM. When entering the meeting venue, participants including Shareholders or their proxies attending the SGM in person should allow their body temperatures to be checked and wear surgical face masks (please note that no masks will be provided at the SGM venue and attendees should bring their own masks) and maintain appropriate distance from each other throughout the SGM. Participants should also refrain from eating and drinking in the meeting venue.

The number of seats at the venue of the SGM will be limited and available on a first-come-first-served basis and the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding and to enable social distancing.

Anyone who has travelled outside Hong Kong within 21 days before the SGM (a "**Recent Record of Travelling**"), who is subject to quarantine or self-quarantine related to COVID-19, or has close contact with any person who is undergoing quarantine or has a Recent Record of Travelling should not attend the SGM in person.

Any person who does not comply with the precautionary measures may be denied the entry into the meeting venue. The Company also encourages Shareholders NOT to attend the SGM in person and advise Shareholders to appoint the chairman of the meeting as their proxy to vote on relevant resolution(s) according to their indicated voting instructions as an alternative. When assessing whether or not it is necessary to adjourn the SGM or change the meeting venue, the Board will consider the impact of the latest outbreak of COVID-19 in the local community, the measures announced by the Government of the Hong Kong Special Administrative Region and/or any applicable regulatory body in connection with COVID-19 and the availability of suitable meeting venue(s). If necessary, the Company will post an announcement on the website of the Company at http://www.irasia.com/listco/hk/taiunited/index.htm and the Stock Exchange's website at http://www.hkexnews.hk as soon as practicable to notify Shareholders of any change to the meeting venue or the date, time and place of any adjourned meeting.