THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

CHINA TANGSHANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY AND (2) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
浤 博 資 本 有 限 公 司

A notice convening the SGM of China Tangshang Holdings Limited to be held at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 20 October 2021 at 3:00 p.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether you are able to attend the SGM or not, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries 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 form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish and in such event, the form of proxy shall be deemed to be revoked.

30 September 2021

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares by the Company from Shenzhen Yaoling in accordance with the terms and conditions of the Agreement
"Agreement" or "Equity Sale and Purchase Agreement"	the conditional Equity Sale and Purchase Agreement dated 30 July 2021 entered into by the Company and Shenzhen Yaoling in respect of the Acquisition
"Board"	the board of Directors of the Company
"Company"	China Tangshang Holdings Limited, a company incorporated in Bermuda with limited liability, and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 674)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Completion Date"	the date of Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of RMB137,300,000 for the acquisition of the Sale Shares
"Consideration Share(s)"	450,000,000 new Shares to be allotted and issued by the Company to the vendor
"Conversion Price"	the Initial Conversion Price of HK$0.2 per Conversion Share
"Conversion Share(s)"	the new Share(s) which may be issued upon exercise of the conversion right attaching to the Convertible Bonds
"Convertible Bonds"	the zero-coupon convertible bonds with a principal amount of HK$27,120,000 to be issued by the Company to Shenzhen Yaoling to settle part of the Consideration
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company

"Dongguan Land"	the land situated at Caole Village, Xiegang Town, Dongguan City, the PRC, with a land parcel number of 2019WG052 and an area of 30,265.58 square meters designated for urban residential use and business service use
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee, comprising all of the independent non-executive Directors, namely Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin, established for the purpose of advising the Independent Shareholders in respect of the signing of the Equity Sale and Purchase Agreement
"Independent Shareholders"	shareholders other than connected person(s) which is/are interested in the relevant transactions
"Latest Practicable Date"	24 September 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Previous Acquisition"	the indirect acquisition of the 35% equity interest of the Target Company by the Company from Mr. Chen Weiwu in accordance with the Equity Sale and Purchase Agreement signed on 9 April 2020
"PRC"	the People's Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Rainbow Capital" and "Independent Financial Adviser"	Rainbow Capital (HK) Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition

"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	55% of the issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the 2021 second special general meeting of the Company to be convened and held at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong at 3:00 p.m. on 20 October 2021 or any adjournment, for considering and approving, if appropriate, the transactions contemplated under the Equity Sale and Purchase Agreement
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Shenzhen Yaoling"	Shenzhen Yaoling Investment Ltd.*（深圳市耀領投資有限公司）, a company incorporated under the laws of the PRC
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Dongguan Huachuangwen Land Ltd.*（東莞市華創文置地有限公司）, a company incorporated on 6 January 2020 under the laws of the PRC with limited liability
"%"	per cent.

* *For identification purpose only*

CHINA TANGSHANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

Executive Directors:
Mr. Chen Weiwu *(Chairman)*
Mr. Zhou Houjie
Mr. Jiang Ruowenhao *(Acting Chief Executive Officer)*

Independent Non-executive Directors:
Mr. Chen Youchun
Ms. Lui Mei Ka
Mr. Zhou Xin

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Unit 1201, 12/F.,
29 Austin Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

30 September 2021

To the Shareholders,

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 30 July 2021 in relation to the entering of the Equity Sale and Purchase Agreement.

The purpose of this circular is to provide you with details of, among others,

(i) information of the terms of the Equity Sale and Purchase Agreement;

(ii) the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Equity Sale and Purchase Agreement;

(iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Sale and Purchase Agreement;

(iv) the financial information of the Group;

(v) the financial information of the Target Company;

(vi) the unaudited pro forma financial information of the Group;

(vii) the management discussion and analysis of the Group;

(viii) the management discussion and analysis of the Target Company;

(ix) a valuation report;

(x) the SGM which will be convened for the purposes of, inter alia, considering and, if thought fit, passing the resolutions relating to the Equity Sale and Purchase Agreement; and

(xi) other information as required under the Listing Rules relating to the Equity Sale and Purchase Agreement.

EQUITY SALE AND PURCHASE AGREEMENT

On 30 July 2021, the Company entered into the Equity Sale and Purchase Agreement with Shenzhen Yaoling, pursuant to which the Company has agreed conditionally to acquire, and Shenzhen Yaoling has agreed conditionally to sell, the Sale Shares at the Consideration of RMB137,300,000 (equivalent to HK$164,760,000). The Consideration shall be settled by way of (i) cash of RMB40,000,000 (equivalent to HK$48,000,000), (ii) the issue and allotment of 450,000,000 Consideration Shares at an issue price of HK$0.2 per Consideration Share, resulting in the total value of the Consideration Shares being HK$90,000,000 (equivalent to approximately RMB74,700,000) and (iii) the issue of Convertible Bonds in the principal amount of HK$27,120,000 (equivalent to approximately RMB22,600,800).

The principal terms of the Equity Sale and Purchase Agreement are as follows:

Date:

30 July 2021

Parties:

Purchaser: the Company

Vendor: Shenzhen Yaoling

Subject Matter:

The Company has agreed conditionally to acquire, and Shenzhen Yaoling has agreed conditionally to sell, the Sale Shares, which represent 55% equity interest in the Target Company.

Consideration:

Pursuant to the Equity Sale and Purchase Agreement, the Consideration of RMB137,300,000 shall be payable by the Company to Shenzhen Yaoling by way of (i) cash of RMB40,000,000 (equivalent to HK$48,000,000), (ii) issue and allotment of 450,000,000 Consideration Shares at an issue price of HK$0.2 per Consideration Share, resulting in a total value of HK$90,000,000 of Consideration Shares and (iii) issue of Convertible Bonds in the principal amount of HK$27,120,000 on the Completion Date.

The Consideration of the Equity Sale and Purchase Agreement was determined and arrived at after arm's length negotiation with reference to net asset value of the Target Company amounting to approximately RMB249,609,683 as at 31 March 2021.

The Consideration Shares represent:

(i) approximately 19.49% of the issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 15.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds.

The Consideration Shares will be issued under the specific mandate to be sought from the Independent Shareholders at the SGM. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the outstanding Shares in issue on the date of the allotment and issue of the Consideration Shares.

Application for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Equity Sale and Purchase Agreement will be made by the Company to the Stock Exchange.

The principal terms of the Convertible Bonds are as follows:

Issuer:	The Company
Principal amount:	HK$27,120,000
Maturity date:	The date falling on the fifth anniversary after the issue date of the Convertible Bonds
Interest:	The Convertible Bonds are non-interest bearing

Redemption:	Unless previously purchased or converted for Conversion Shares, the Company shall on the maturity date redeem the outstanding principal amount of the Convertible Bonds.
Early Redemption:	The Company shall have the right, as from the expiry of 6 months following the issue date of the Convertible Bonds, to partly or fully redeem the Convertible Bonds early, upon obtaining the written approval from Shenzhen Yaoling. The amount payable by the Company to early redeem the Convertible Bonds (or any part thereof) shall be the principal amount being redeemed.
Conversion Price:	HK$0.2 per Conversion Share (subject to adjustment as mentioned below)
Conversion right:	Subject to compliance with the procedures set out in the conditions of the Convertible Bonds, the holders of the Convertible Bonds have the right to convert all or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares at any time commencing from the date of issue up to the maturity date provided that the amount of each conversion shall not be less than an integral multiple of HK$271,200. The exercise of the conversion right under the Convertible Bonds by Shenzhen Yaoling is subject to (i) the Company meeting the public float requirement under the Listing Rules and (ii) Mr. Chen Weiwu, the controlling shareholder of the Company, holding not less than 50% equity interest in the Company.
Conversion adjustment:	The Conversion Price will be subject to adjustment upon the occurrence of the following events: (i) consolidation, subdivision and reclassification of the Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution by the Company to the Shareholders; (iv) rights issue of the Shares, options or warrants; (v) rights issue of other securities other than the Shares, options or warrants; (vi) issue of the Shares at a price less than 80% of the market price of the Shares; (vii) issue of other securities at a price less than 80% of the market price of the Shares; (viii) modification of the rights of conversion, exchange or subscription of securities mentioned in paragraph (vii) so that the price is less than 80% of the market price of the Shares; and (ix) other offers made by the Company or its subsidiaries or other persons to the Shareholders in connection with an offer to which the Shareholders are generally entitled to participate.

Ranking:	The Conversion Shares will be issued upon conversion of the Convertible Bonds and will rank pari passu with the Shares then in issue.
Transferability:	The Convertible Bonds are non-transferable.
Voting right:	The Convertible Bonds do not confer any voting right.
Listing:	Application for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon the exercise of the conversion right under the Convertible Bonds will be made by the Company to the Stock Exchange.

Assuming full exercise of the conversion right attached to the Convertible Bonds at the Conversion Price of HK$0.2, the Company will issue a total of 135,600,000 Conversion Shares, representing:

(i) approximately 5.87% of the existing issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 4.68% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds.

The Consideration Shares and the Conversion Shares, when allotted and issued, shall rank pari passu in all respects among themselves and with all the existing Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the issue date of the Consideration Shares and the Conversion Shares. The Consideration Shares and the Conversion Shares will be issued under the specific mandate to be sought by the Shareholders at the SGM. Application for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares will be made by the Company to the Stock Exchange.

The issue price of HK$0.2 per Consideration Share at which the Consideration Shares will be allotted and issued and the Conversion Price of HK$0.2 per Conversion Share (subject to adjustment) represents:

(i) a premium of approximately 25% over the closing price of HK$0.16 per Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) a premium of approximately 24.53% over the average closing price of approximately HK$0.1606 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the date of the Agreement;

(iii) a premium of approximately 31.67% over the average closing price of approximately HK$0.1519 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the date of the Agreement;

(iv) a premium of approximately 60.77% over the average closing price of approximately HK$0.1244 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the date of the Agreement;

(v) a premium of approximately 70.36% over the average closing price of approximately HK$0.1174 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the date of the Agreement;

(vi) a premium of approximately 67.36% over the average closing price of approximately HK$0.1195 per Share as quoted on the Stock Exchange for the last 360 consecutive trading days up to and including the date of the Agreement;

(vii) a discount of approximately 17.86% over the unaudited net asset value per Share of approximately HK$0.2435 as at 31 March 2021 based on the 2,308,866,570 Shares in issue as at the date of the Agreement; and

(viii) a premium of approximately 6.38% over the closing price of HK$0.188 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As calculated in accordance with Rule 7.27B of the Listing Rules, there is no theoretical dilution effect resulting from the issuance of the Consideration Shares and Conversion Shares given the issue price and the conversion price are higher than the prevailing market prices of the Shares. Save for the allotment and issue of the Consideration Shares and the Conversion Shares, and the issuance of 800,000,000 Shares at the issue price of HK$0.2 per Share under the Previous Acquisition, during the 12 month period immediately preceding the Latest Practicable Date, the Company has not undertaken (whether by reference to the Latest Practicable Date or the date of share issue) any rights issues, open offer or any other specific mandate placing.

The Issue Price and the Conversion Price were determined after arm's length negotiation between the Company and Shenzhen Yaoling with reference to the recent price performance of the Shares and the prevailing market conditions.

The net asset value of the Company per Share is approximately HK$0.2435 as at 31 March 2021 calculated based on the net assets value of the Company as at 31 March 2021 of approximately HK$562,112,748 and 2,308,866,570 Shares. The Directors are aware that the Shares had been traded at a significant discount to the consolidated net asset value per Share in the past 6 months. The closing price during the period from 30 July 2020 (12 months before the date of the Agreement) up to the date of the Agreement ranged from a maximum of HK$0.165 per Share to a minimum of HK$0.079 per Share, and the average closing price is approximately HK$0.1130 during such period, which are all far below the net asset value of the Company per Share as at 31 March 2021. Hence, considering the prevailing market price and trading liquidity of the Company's shares, which have been relatively low in the past 12 months, the Directors are of the view that the discount represented by the Conversion Price compared to the consolidated net asset value of the Company per Share would be fair and reasonable.

Conditions Precedent:

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

(i) the Company having obtained the approval from its Independent Shareholders in respect of, inter alia, (a) the Acquisition; and (b) the issue of Consideration Shares and Convertible Bonds to Shenzhen Yaoling pursuant to the terms of the Equity Sale and Purchase Agreement, in the manner required by the Listing Rules;

(ii) the Company having obtained the approval from the Board in respect of the transactions contemplated under the Equity Sale and Purchase Agreement and the allotment and issue of the Consideration Shares and the Convertible Bonds;

(iii) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;

(iv) the Target Company having completed the change in registration of real estate qualification;

(v) the allotment and issue of the Consideration Shares and the Conversion Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Agreement by any legislative, executive or regulatory body or authority of Bermuda or Hong Kong;

(vi) each of the parties having complied with the terms and conditions of the Agreement and there having been no material breach of the Agreement by any party thereto;

(vii) all of the warranties and representations contained in the Agreement remaining true, correct, complete, accurate and not misleading in all material respects at the Completion as if repeated at the Completion, and all undertakings contained in the Agreement, to the extent that it is capable of being fulfilled prior to the Completion Date, having been fulfilled in all respects; and

(viii) the purchaser, the vendor and the Target Company having complied with the Listing Rules in all respects for the Acquisition.

Among the above conditions, item (i), (ii), (iii), (iv), (v) and (viii) are not waivable. Except item (ii), the other conditions are not fulfilled yet at this stage. Notwithstanding the aforesaid, if the conditions above have not been fulfilled or waived (as the case may be) by 31 October 2021, unless the parties agree to postpone the deadline, the Equity Sale and Purchase Agreement shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Agreement.

Completion

Completion shall take place within seven business days after fulfilment or waiver (as the case may be) of all the conditions precedent to the Agreement, or such other date as the parties to the Agreement may agree in writing.

Upon the Completion, the Company will hold 90% equity interest in the Target Company and the financial statements of the Target Company will continue to be consolidated into the consolidated financial statements of the Group.

INFORMATION OF THE TARGET COMPANY

The Target Company is principally engaged in urban renewal information consulting, business management consulting, business information consulting; real estate intermediary services; urban renewal project planning and devisal; engineering consulting; real estate development and operation; real estate investment; industrial investment; property investment; property management; leasing of owned property; gardening and greening project design and construction. It currently holds the Dongguan Land and is undertaking development projects.

The Target Company was established on 6 January 2020. For the period from 6 January 2020 to 31 December 2020, there is no revenue was recognised, and the loss before taxation and net loss for the period were both RMB9,703,140.

The Dongguan Land situates at Caole Village, Xiegang Town, Dongguan City, PRC with an area of 30,265.58 square meters designated for urban residential use and business service use (R2 Class II residential land (R2二類居住用地)). R2 Class II residential land means the state-owned land used for constructing multi-storey buildings mainly for residential purpose with all-round supporting facilities, which accounts for the major part among the residential lands in the PRC. With the approval of the People's Government of Dongguan Municipality, Dongguan Municipal Bureau of Natural Resources* (東莞市自然資源局) and Dongguan City Public Resources Trading Center* (東莞市公共資源交易中心) determined to list the Dongguan Land for sale. Shenzhen Yaoling successfully won the bid for the Dongguan Land at the price of RMB511,840,000 jointly with Shenzhen Leju Real Estate Information and Advisory Partnership (limited partnership) ("**Shenzhen Leju**") in December 2019, and has established the Target Company to hold and develop the Dongguan Land. Mr. Chen Danjun is the general partner of Shenzhen Yinghui Investment Ltd.* (深圳盈暉投資有限公司), Mr. Chen Zhenshou and Mr. Weng Qihao are its limited partners. Mr. Chen Danjun, Shenzhen Yinghui Investment Ltd. (深圳盈暉投資有限公司), Mr. Chen Zhenshou and Mr. Weng Qihao hold 60%, 10%, 15% and 15% of interest in Shenzhen Leju respectively. Ms. Jiang Xiumei is the legal representative and ultimate beneficial owner of Shenzhen Yinghui Investment Ltd.

The Group plans to develop the Dongguan Land into a mix of residential and commercial properties, part of which is for leasing purpose. It is currently intended that approximately 50% of the planned gross floor area ("**GFA**") of the Dongguan Land will be used to construct residential properties for sales, and approximately 50% of the planned GFA of the Dongguan Land will be used for leasing purpose such as to construct commercial properties (for example, retail shops, car parking space, offices, etc.).

The project on the Dongguan Land is now under construction and all construction is expected to complete by the end of 2021. The Target Company has already launched pre-sale of the property on the Dongguan Land in 2020 and received good responses from the market. Approximately 65% of the total number of the sellable units of the property on the Dongguan Land has been sold (the "**Pre-Sales**") according to the information available. This figure is subject to change because the Pre-Sales is ongoing and sometimes buyers may cancel the transaction before completion while new buyers may take up the forgone property. As at 31 March 2021, the contract liabilities of the Group mainly reflecting the amount receivable from the Pre-Sales amounted to approximately HK$435 million, which gradually increased to approximately HK$650 million as at the end of July 2021. It is expected that all construction will be completed by the end of 2021 and the sales of the remaining portion of the development will be completed by the first quarter of 2022.

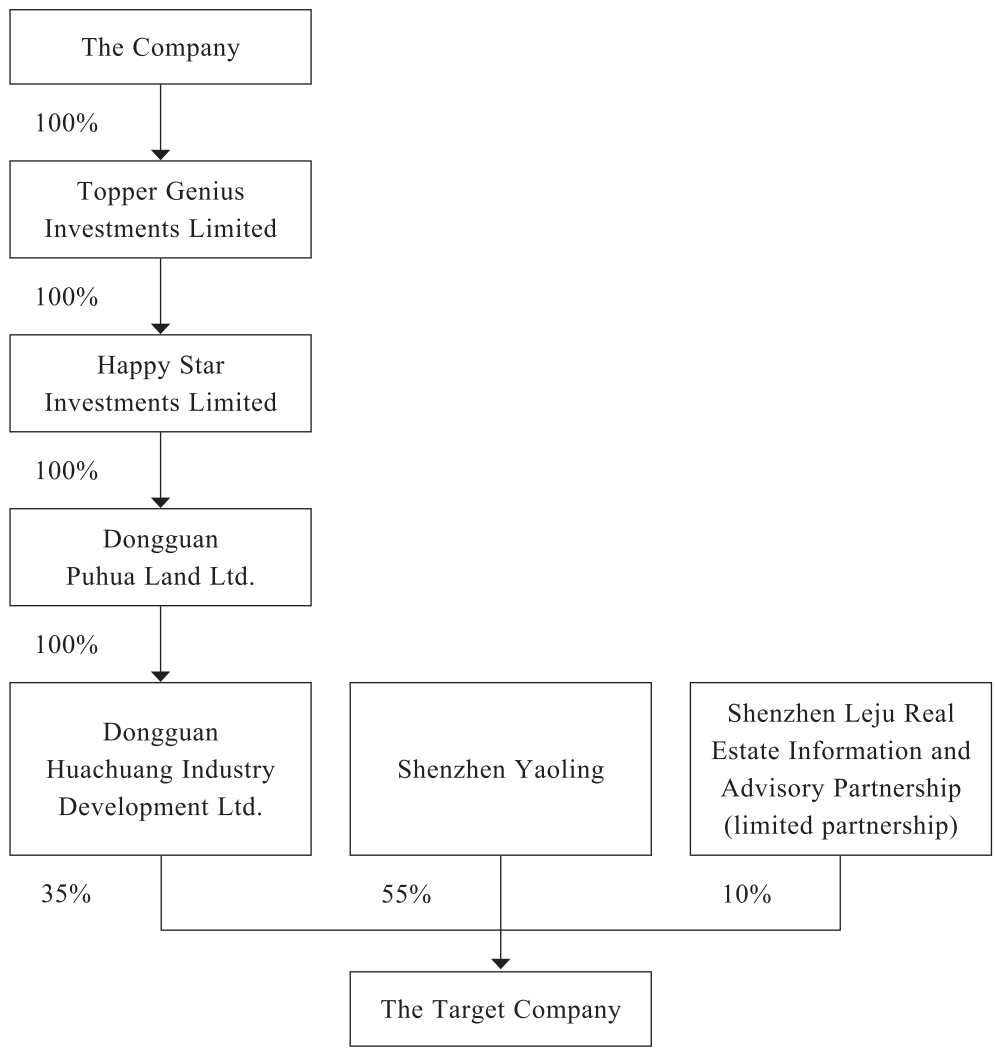
It is expected that the total costs for the development of the Dongguan Land will amount to approximately RMB930,840,000 (among which the land purchase price of RMB511,840,000 was already settled) and the Target Company has already obtained borrowings of RMB224,999,585 to fund the project as at May 2021. The balance of the costs will be funded by the deposits and sale proceeds received by the Target Company.

The development of the Dongguan Land would be in line with the Company's existing business. As stated above, the Group plans to develop the Dongguan Land into a mix of residential and commercial properties, part of which is for leasing purpose. Commercial properties, including shops, entertainment facilities and carparks, are typically integrated with residential properties in the vicinity, which the Company believes will not only diversify its source of income, but most importantly, generate more traffic in the locality and therefore enhance the value of, and drive the demand for, both its commercial and residential properties. As such, the Company considers that the engagement in property development is closely related to its existing property leasing business.

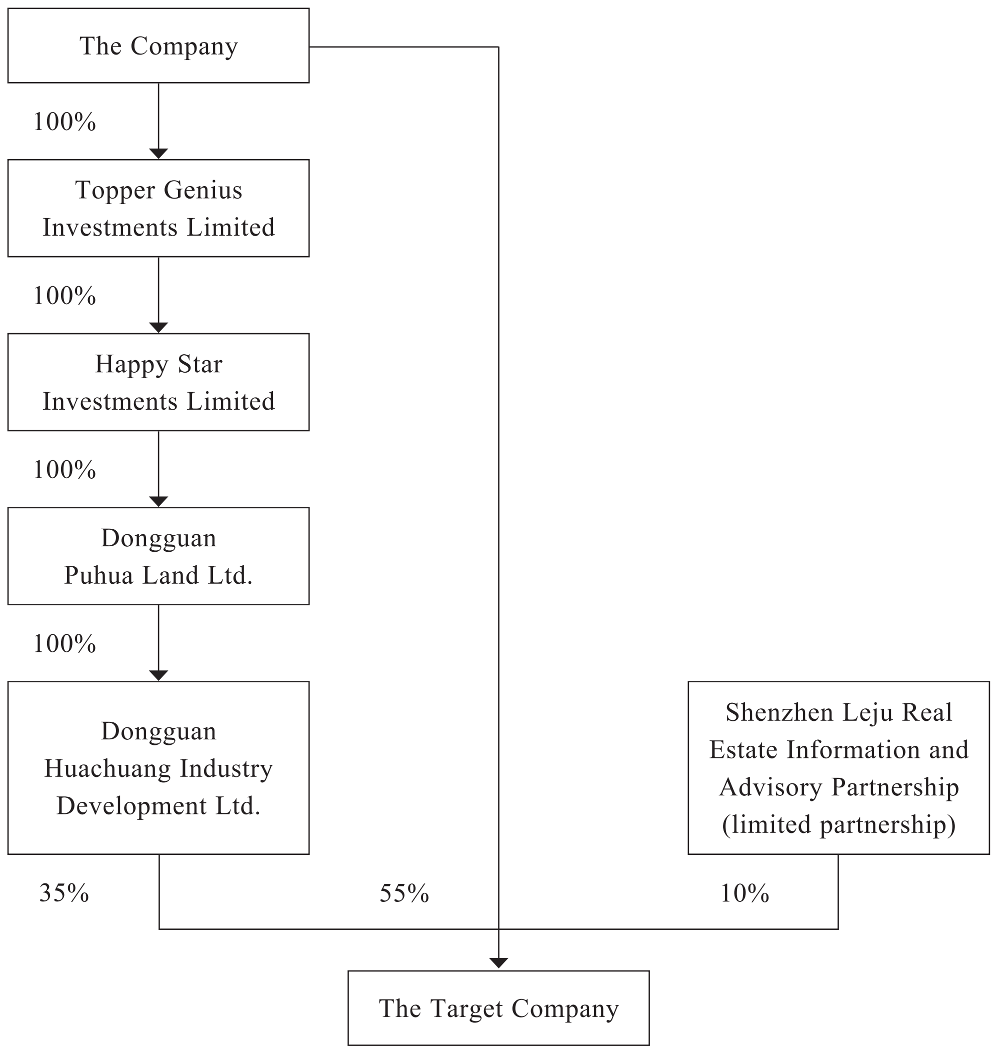
At present, the Target Company does not have other business plan after completion of the development of the Dongguan Land.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

Before the Acquisition, the shareholding structure of the Target Company is as follows:



Immediately after the completion of the Acquisition, the shareholding structure of the Target Company will be as follows:



There will not be any change in the shareholders' agreement entered into between the Company, Shenzhen Yaoling and Shenzhen Leju Real Estate Information and Advisory Partnership (limited partnership) in respect of the Target Company, and the Company will continue to exercise control over the Target Company.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 2,308,866,570 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Completion and the allotment and issue of the Consideration Shares; and (iii) immediately after the Completion and the allotment and issue of the Consideration Shares and the Conversion Shares:

	As at the Latest Practicable Date		Immediately after the Completion and the allotment and issue of the Consideration Shares		Immediately after the Completion and the allotment and issue of the Consideration Shares and the Conversion Shares*	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. Chen Weiwu	1,379,806,977	59.76	1,379,806,977	50.01	1,379,806,977	47.67
Shenzhen Yaoling#	0	0	450,000,000	16.31	585,600,000	20.23
Public Shareholders	929,059,593	40.24	929,059,593	33.68	929,059,593	32.10
Total	2,308,866,570	100	2,758,866,570	100	2,894,466,570	100

* *For illustration purpose only. In practice, the issue of the Conversion Shares is subject to the condition that Mr. Chen Weiwu holds not less than 50% equity interest in the Company.*

The ultimate beneficial owners of Shenzhen Yaoling are Mr. Jiang Dingwei and Ms. Jiang Mengshan, who are cousins of Mr. Chen Weiwu, chairman of the Board and an executive Director (the ultimate beneficial owner(s) of Shanzhen Yaoling was changed from Mr. Zeng Qinghua, the cousin-in-law of Mr. Chen Weiwu, to Mr. Jiang Dingwei and Ms. Jiang Mengshan in mid-May 2021).

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE TRANSACTIONS

The Company currently holds 35% equity interest in the Target Company and has control over the Target Company through the shareholders' agreement. The Target Company has commenced the property project in Dongguan in 2020 and achieved satisfactory pre-sale results. Shenzhen Yaoling intends to dispose of the Sale Shares as a result of internal restructuring, so the Company believes that further acquisition of the shares of the Target Company at present would enable the Company to generate more revenue from the development project on the Dongguan Land.

Having considered the above factors, the Board considers that the terms of the Equity Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

EFFECTS ON EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon completion of the Acquisition, it is expected that the Acquisition will have the following financial effects on the Group:

Assets and liabilities

The audited consolidated total assets, total liabilities and net assets of the Group as at 31 March 2021 as extracted from the annual report of the Company for the year ended 31 March 2021 were HK$1,896,678,339, HK$1,334,565,591 and HK$562,112,748 respectively. Based on the unaudited pro forma financial information of the Group as set out in the Appendix III to this circular, assuming completion of the Acquisition had taken place on 31 March 2021, the pro forma total assets and total liabilities of the Group would have been approximately HK$1,849,351,142 and approximately HK$1,354,401,591 respectively. The unaudited pro forma net asset value attributable to equity shareholders of the Group would be approximately HK$494,949,551.

Earnings

The audited net loss of the Group for the year ended 31 March 2021 as extracted from the audited report of the Company for the year ended 31 March 2021 was HK$47,630,620. Based on the unaudited pro forma financial information of the Group as set out in the Appendix III to this circular, assuming completion of the Acquisition had taken place on 31 March 2021, the pro forma net loss of the Group would increase to approximately HK$49,107,742. In view of the future prospects of the property market in Dongguan, the PRC, it is anticipated that the Acquisition will improve the Group's trading prospects in the future.

RECONCILIATION IN RELATION TO THE VALUATION OF PROPERTY DEVELOPMENT PROJECT ON THE DONGGUAN LAND

The table below sets forth the reconciliation of the net book value of property development project on the Dongguan Land as at 31 March 2021 with the valuation of the Dongguan Land as at 30 June 2021 as stated in Appendix IV to this Circular.

	RMB
Unaudited net book value of property development project on the Dongguan Land as at 31 March 2021	643,220,934
Add: Fair value change	72,779,066
Valuation as at 30 June 2021	716,000,000

INFORMATION OF THE COMPANY

The Company is an investment holding company principally engaged in property business. The Company has three segments. Money lending business represents the business of loan to customers, including individuals and corporations pursuant to the provisions of the Money Lenders Ordinance (Cap 163, laws of Hong Kong). Property sub-leasing and investment business represents the subleasing and leasing of investment properties. Property development business represents development of real estates.

INFORMATION OF SHENZHEN YAOLING

Shenzhen Yaoling is principally engaged in investment in industrial enterprises (specific projects to be separately reported); investment advisory (excluding restricted items); logistics solutions design, logistics information consulting; development and operation of real estate (on the land for which the right of use has been legally obtained); real estate brokerage; leasing of owned properties; domestic trade (excluding franchised, exclusive and proprietary goods); operation of import and export business; and logistics and warehousing.

APPROVAL OF THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Equity Sale and Purchase Agreement except Mr. Chen Weiwu, the connected Director, who has material interest in the Acquisition due to his relationship with the ultimate beneficial owners of Shenzhen Yaoling. Other Directors have unanimously approved the Equity Sale and Purchase Agreement (Mr. Chen Weiwu, the connected Director, has abstained from voting), and consider that the terms of the Equity Sale and Purchase Agreement are on normal commercial terms, fair and reasonable, and the Equity Sale and Purchase Agreement is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

In July 2020, the Company completed the acquisition of 35% equity interest in the Target Company. As the Previous Acquisition and the Acquisition took place within a 12 month period, pursuant to Rule 14.22 of the Listing Rules, the Previous Acquisition and the Acquisition shall be aggregated. As certain percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition (after aggregation) exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

In addition, as at the date of the Latest Practicable Date, Shenzhen Yaoling holds 55% equity interest in the Target Company. Further, the ultimate beneficial owners of Shenzhen Yaoling, Mr. Jiang Dingwei and Ms. Jiang Mengshan, are cousins of Mr. Chen Weiwu, the chairman of the Board and an executive Director. Therefore, Shenzhen Yaoling is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Consideration Shares will be issued under the specific mandate of the Company in accordance with the Listing Rules.

OTHER MATTERS

Pursuant to the Listing Rules, an Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the transactions under the Equity Sale and Purchase Agreement. Rainbow Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and Independent Shareholders as to whether the terms and conditions of the Equity Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and Shareholders as a whole.

SGM

A notice of SGM is set out on pages SGM-1 to SGM-3 of this circular. All the resolutions as set out in the notice of SGM will be proposed at the SGM.

A form of proxy for the SGM is enclosed with this circular. Whether you are able to attend the SGM or not, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries 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 form of proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish and in such event, the form of proxy shall be deemed to be revoked.

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Shareholders on the proposed ordinary resolutions at the SGM shall be taken by poll. The chairman of the SGM will demand that all resolutions as set out in the SGM Notice be voted upon by way of poll at the SGM.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, other than Mr. Chen Weiwu who shall abstain from voting at the SGM in respect of the Equity Sale and Purchase Agreement, none of the Directors or Shareholders has a material interest on the resolutions proposed at the SGM, and no Shareholder is required to abstain from voting on any of the resolutions at the SGM.

RECOMMENDATION

The Directors believe that the proposed resolutions relating to the Equity Sale and Purchase Agreement are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the SGM.

RESPONSIBILITY STATEMENT

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

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
China Tangshang Holdings Limited
Chen Weiwu
Chairman

CHINA TANGSHANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

30 September 2021

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY AND (2) NOTICE OF SPECIAL GENERAL MEETING

Reference is made to the circular issued by the Company to the Shareholders dated 30 September 2021 (the "**Circular**") of which this letter forms a part. Unless the context otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Equity Sale and Purchase Agreement. Rainbow Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out on pages 21 to 54 of the Circular and the additional information is set out in the appendices thereto.

Having considered the terms of the Equity Sale and Purchase Agreement, and taking into account the independent advice of Rainbow Capital, in particular the principal factors, reasons and recommendations set out in its letter on pages 21 to 54 of the Circular, we consider that the Equity Sale and Purchase Agreement are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Equity Sale and Purchase Agreement, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favor of the resolutions to be proposed at the SGM to approve the Equity Sale and Purchase Agreement.

Yours faithfully,
the Independent Board Committee
Chen Youchun, Lui Mei Ka and Zhou Xin

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

30 September 2021

To the Independent Board Committee and the Independent Shareholders

China Tangshang Holdings Limited
Unit 1201, 12/F
29 Austin Road
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 30 September 2021 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 30 July 2021, the Company entered into the Equity Sale and Purchase Agreement with Shenzhen Yaoling, pursuant to which the Company has agreed conditionally to acquire the Sale Shares from Shenzhen Yaoling at the Consideration of RMB137,300,000 (equivalent to HK$164,760,000), which shall be satisfied as to (i) RMB40,000,000 (equivalent to HK$48,000,000) by cash; (ii) HK$90,000,000 (equivalent to approximately RMB74,700,000) by the issue and allotment of 450,000,000 Consideration Shares at an issue price of HK$0.2 per Consideration Share (the "**Issue Price**"); and (iii) HK$27,120,000 (equivalent to approximately RMB22,600,800) by the issue of the Convertible Bonds. The Sale Shares represent 55% equity interest in the Target Company. The Company currently indirectly holds 35% equity interest in the Target Company which is a non wholly-owned subsidiary of the Company. Upon Completion, the Company will hold 90% equity interest in the Target Company and the financial statements of the Target Company will continue to be consolidated into the consolidated financial statements of the Group.

On 27 July 2020, the Company completed the acquisition of 35% equity interest in the Target Company. As the Previous Acquisition and the Acquisition took place within a 12-month period, pursuant to Rule 14.22 of the Listing Rules, the Previous Acquisition and the Acquisition shall be aggregated for the purpose of determining the percentage ratios. As the highest percentage ratio in respect of the Acquisition (after aggregation) exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. In addition, as at the Latest Practicable Date, Shenzhen Yaoling was beneficially owned by Mr. Jiang Dingwei and Ms. Jiang Mengshan who are the cousins of Mr. Chen Weiwu, the chairman of the Board and an executive Director of the Company. Therefore, Shenzhen Yaoling is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company, which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Consideration Shares and the Conversion Shares will be issued under the specific mandate to be sought from the Independent Shareholders at the SGM.

The Company will seek approval from the Independent Shareholders in respect of the Acquisition by way of a poll at the SGM. In view of the interest above, Mr. Chen Weiwu and his associates are required to abstain from voting in respect of the ordinary resolution approving the Acquisition at the SGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin, has been formed to advise the Independent Shareholders on whether the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Rainbow Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, Shenzhen Yaoling and Mr. Chen Weiwu that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) certain lease contracts, details of which are set out in the circular of the Company dated 25 February 2020; (ii) the acquisition of 35% equity interest in the Target Company, details of which are set out in the circular of the Company dated 22 June 2020; and (iii) certain lease contracts, details of which are set out in the circular of the Company dated 25 January 2021. Other than that, there was no engagement between the Group and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, Shenzhen Yaoling or Mr. Chen Weiwu. Accordingly, we are qualified to give independent advice in respect of the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, the Target Company or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Equity Sale and Purchase Agreement are fair and reasonable, we have taken into account the principal factors and reasons set out below:

1. Background information of the Group

The Group is principally engaged in (i) property sub-leasing and investment business; (ii) property development business; and (iii) money lending business.

The Group has undergone a series of transactions to restructure its businesses (the "**Restructuring**"). In December 2019 and December 2020, the Group entered into new lease contracts with Beijing Tian'an Innovation Technology and Estates Limited ("**BTIT**") to diversify and expand its property sub-leasing business into Beijing, a first-tier city in the PRC. BTIT has agreed to provide a rental income guarantee of HK$51 million each year to the Group in 2021 and 2022. In December 2020, the Group disposed of its property sub-leasing business in Nanjing, the PRC, with a view to restructuring its property sub-leasing business by shifting the location of the business from a second-tier city to a first-tier city in the PRC. Since completion of the Previous Acquisition on 27 July 2020, the Target Company has been a non wholly-owned subsidiary of the Company and its financial results have been consolidated into the financial statements of the Group, allowing the Group to engage in the property development business. During the year ended 31 March 2021, the Group ceased the exhibition-related business given the uncertain outlook caused by the continuous travel restrictions across the world as well as the food and beverages business to mitigate continuous loss.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 March 2021 as extracted from the annual reports for the year ended 31 March 2021 (the "**2021 Annual Report**") and for the year ended 31 March 2020 of the Company:

(i) Financial performance

	For the year ended 31 March		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
		(re-presented)	
Revenue *(Note)*			
— Property sub-leasing and investment business	56,159	65,455	45,310
— Property development business	—	—	—
— Money lending business	—	626	2,546
— Exhibition-related business	529	12,336	26,032
— Food and beverages business	—	—	7,550
Loss attributable to the Shareholders	(13,347)	(37,309)	(18,871)
— Continuing operations	(12,735)	(34,366)	(18,871)
— Discontinued operations *(Note)*	(612)	(2,943)	—
Segment (loss)/profit before income tax expense *(Note)*			
— Property sub-leasing and investment business	(331)	10,997	6,572
— Property development business	(11,018)	—	—
— Money lending business	(239)	127	1,741
— Exhibition-related business	(716)	(2,858)	(4,027)
— Food and beverages business	103	(85)	(4,485)

Note:

The exhibition-related business and the food and beverage business were classified as discontinued operations for the year ended 31 March 2021.

*Year ended 31 March 2021 ("**FY2021**") compared to year ended 31 March 2020 ("**FY2020**")*

Property sub-leasing and investment business is the primary business of the Group, accounting for 100% of total revenue from continuing operations in FY2021.

Revenue from continuing operations decreased by approximately 15.0% from approximately HK$66.1 million in FY2020 to approximately HK$56.2 million in FY2021. Such decrease was primarily attributable to (a) the decrease in revenue from the property sub-leasing and investment business by approximately 14.2% mainly due to the weak market sentiment of the sub-leasing business in Nanjing as a result of the impact of COVID-19 pandemic; and (b) that no interest income was recognised in the money lending business in FY2021 as compared to approximately HK$0.6 million in FY2020.

Loss attributable to the Shareholders from continuing operations decreased from approximately HK$34.4 million in FY2020 to approximately HK$12.7 million in FY2021, primarily attributable to the increase in gain on disposal of right-of-use assets from approximately HK$10.2 million in FY2020 to approximately HK$27.8 million in FY2021.

The property sub-leasing and investment business recorded segment loss of approximately HK$0.3 million in FY2021 as compared to a segment profit of approximately HK$11.0 million in FY2020, mainly resulting from the increase in fair value loss on investment properties of the Group from approximately HK$24.3 million in FY2020 to approximately HK$56.0 million in FY2021. The property development business recorded a segment loss of approximately HK$11.0 million in FY2021 since the Company acquired the entire equity interest in Topper Genius Investment Limited ("**Topper Genius**") which is principally engaged in the property development business and no revenue was generated during the year.

In FY2021, the exhibition-related business and the food and beverages business were disposed to mitigate continuous loss. Excluding the gain on disposal of the discontinued operations, the Group incurred segment losses in the exhibition-related business and the food and beverages business in the last three years.

*FY2020 compared to year ended 31 March 2019 ("**FY2019**")*

Revenue from the property sub-leasing and investment business accounted for approximately 99.1% of total revenue from continuing operations in FY2020.

Revenue from continuing operations increased by approximately 38.1% from approximately HK$47.9 million in FY2019 to approximately HK$66.1 million in FY2020, primarily attributable to the significant increase in revenue from the property sub-leasing and investment business by approximately 44.5% to approximately HK$65.5 million in FY2020 as compared to FY2019, as a result of the increase in rent for existing and new tenants in sub-leasing certain properties in Nanjing, the PRC and the acquisition of a PRC company engaging in sub-leasing business in Shenzhen in October 2018. Such increase was partially offset by the decrease in revenue from the money lending business by approximately 75.4% to approximately HK$0.6 million in FY2020.

The increase in loss attributable to the Shareholders from approximately HK$18.9 million in FY2019 to approximately HK$37.3 million in FY2020 was primarily due to (a) the fair value loss on investment properties after adoption of Hong Kong Financial Reporting Standard 16 – Leases; and (b) the provision for financial guarantee in FY2020.

In FY2019 and FY2020, while the exhibition-related business and the food and beverages business incurred segment losses, the property sub-leasing and investment business and the money lending business recorded segment profits.

(ii) Financial position

	As at 31 March		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets, including:	567,746	243,147	49,782
— Property, plant and equipment	7,914	2,282	48,437
— Investment properties	284,436	183,545	—
— Finance lease receivables	275,396	56,692	—
Current assets, including:	1,328,932	316,107	287,332
— Properties under development	770,393	—	—
— Trade and other receivables	337,633	149,491	153,808
— Finance lease receivables	26,162	3,146	—
— Cash and bank balances	175,939	150,431	120,347
Total assets	1,896,678	559,254	337,114
Current liabilities, including	836,173	261,366	207,582
— Trade, bills and other payables	27,528	104,883	91,007
— Contract liabilities	434,758	1,061	—
— Amounts due to non-controlling shareholders of subsidiaries	32,737	—	—
— Amounts due to related parties	—	27,040	27,040
— Bank and other borrowings	289,531	67,006	43,647
— Convertible bonds	—	40,686	45,345
— Lease liabilities	51,532	20,147	—

	As at 31 March		
	2021	**2020**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Net current assets	492,759	54,742	79,750
Non-current liabilities	498,393	169,127	37,576
— Bank and other borrowings	—	25,534	—
— Convertible bonds	—	42,173	37,576
— Lease liabilities	498,393	101,420	—
Total liabilities	1,334,566	430,493	245,158
Equity attributable to the Shareholders	364,950	100,574	99,147
Gearing ratio *(Note)*	31.1%	28.1%	6.3%

Note: being the sum of total bank and other borrowings, bills payables and convertible bonds minus cash and bank balances and divided by total equity attributable to the Shareholders.

As at 31 March 2021, total assets of the Group were approximately HK$1,896.7 million, which mainly included (a) properties under development of approximately HK$770.4 million attributable to the development on the Dongguan Land, namely Tangshang Hanlin Manion（唐商翰林府）(the "**Property**"), due to the acquisition of Topper Genius; (b) trade and other receivables of approximately HK$337.6 million, primarily relating to prepayments to contractors and refundable deposits for various potential business development projects; (c) finance lease receivables of approximately HK$301.6 million; (d) investment properties of approximately HK$284.4 million; and (e) cash and bank balances of approximately HK$175.9 million. The significant increase in finance lease receivables and investment properties was due to the entering into of new lease contracts with BTIT in December 2020. Excluding the cash and bank balances of the Target Company, the Group had cash and bank balances of approximately HK$61.2 million as at 31 March 2021.

As at 31 March 2021, total liabilities of the Group were approximately HK$1,334.6 million, which mainly included (a) lease liabilities of approximately HK$549.9 million; (b) contract liabilities of approximately HK$434.8 million, primarily attributable to the deposits and instalments received on properties sold prior to the date of revenue recognition; and (c) bank and other borrowings of approximately HK$289.5 million for the development of the Property, which were secured and interest-bearing at 7.24% per annum.

As at 31 March 2021, the Group had net current assets of approximately HK$492.8 million with a gearing ratio of approximately 31.1%. As a result of the issue of the consideration shares to finance the acquisition of Topper Genius, equity attributable to the Shareholders increased significantly to approximately HK$365.0 million as at 31 March 2021. As stated in the 2021 Annual Report, the Directors consider that the Group was in a healthy financial position.

Based on (a) the equity attributable to the Shareholders of approximately HK$365.0 million as at 31 March 2021; and (ii) 2,308,866,570 issued Shares as at the Latest Practicable Date, the net asset value per Share was approximately HK$0.1581 (the "**NAV per Share**").

(iii) Overall comment

After completion of the Restructuring, the Group's core business segments comprise the property sub-leasing and investment business in Beijing, the PRC, and the property development business through its 35% equity interest in the Target Company. The property sub-leasing and investment business has been generating relatively stable revenue during the three years ended 31 March 2021 and BTIT has agreed to provide a rental income guarantee of HK$51 million each year to the Group in 2021 and 2022. As for the property development business, the Target Company has commenced the pre-sale of the Property since 2020. As at the Latest Practicable Date, the Property was under still construction and is expected to be completed by the end of 2021. Through the Restructuring, equity attributable to the Shareholders has been enhanced substantially.

While the property sub-leasing and investment business will continue to provide a stable revenue stream to the Group, the property development business represents a growth potential for the Group taking into account the industry outlook as stated in the section headed "4. Industry overview" below. We consider that the Acquisition represents an opportunity for the Group to further consolidate its interest in the Target Company so as to substantially capture the potential growth of the Target Company and to strengthen its capital and reserves.

2. Information of the Target Company and the Property

(i) The Target Company

Established on 6 January 2020, the Target Company is principally engaged in property development in the PRC. It currently holds the Dongguan Land and is undertaking a development project, namely Tangshang Hanlin Manion (唐商翰林府).

As at the Latest Practicable Date, the Target Company was held as to 35%, 55% and 10% by Dongguan Huachuangwen Industry Development Ltd., an indirectly wholly-owned subsidiary of the Company, Shenzhen Yaoling and Shenzhen Leju Real Estate Information and Advisory Partnership (limited partnership), respectively.

Set out below is the summarised financial information of the Target Company as extracted from Appendix II to the Circular:

	As at 31 March	
	2021	**2020**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Total assets, including:	1,016,858	563,193
— Properties under development	643,221	532,209
— Prepayments, deposits and other receivables	259,556	118
— Cash and bank balances	96,948	30,473
Total liabilities, including:	767,248	26,367
— Contract liabilities	367,449	—
— Amount due to the immediate holding company	121,841	—
— Amount due to non-controlling shareholders	27,669	—
— Bank borrowings	244,706	—
Total equity	249,610	536,826

	For the year ended 31 March 2021	**For the period from 6 January 2020 (date of establishment) to 31 March 2020**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Loss for the year/period	10,527	370

As at 31 March 2021, total assets of the Target Company amounted to approximately RMB1,016.9 million, which mainly represented (a) properties under development of approximately RMB643.2 million attributable to the development on the Property, comprising land cost of approximately RMB527.2 million, construction cost of approximately RMB104.9 million and capitalised borrowing costs of approximately RMB11.1 million; (b) prepayments, deposits and other receivables of approximately RMB259.6 million; and (c) cash and bank balances of approximately RMB96.9 million.

As at 31 March 2021, total liabilities of the Target Company amounted to approximately RMB767.2 million, which mainly represented (a) contract liabilities of approximately RMB367.4 million, primarily due to the deposits and instalments received on properties sold prior to the date of revenue recognition; (b) amounts due to the immediate holding company and non-controlling shareholders of approximately RMB149.5 million which were unsecured, interest-free and repayable on demand; and (c) bank borrowings of approximately RMB244.7 million for the development of the Property, which were secured and interest-bearing at 7.24% per annum.

As at 31 March 2021, total equity decreased significantly to approximately RMB249.6 million, from approximately RMB536.8 million as at 31 March 2020, primarily attributable to the capital reduction of approximately RMB276.7 million, pursuant to which the owners of the Target Company have been paid or payable in accordance with their respective shareholdings in the Target Company.

The Target Company did not generate any revenue for the period from 6 January 2020, the date of establishment of the Target Company, to 31 March 2021. Total loss incurred during the aforesaid period amounted to approximately RMB10.9 million.

(ii) The Property

Tangshang Hanlin Mansion (唐商翰林府), a property project being developed on the Dongguan Land with a site area of 30,265.58 square meters ("**sq.m.**"), is situated at Caole Village, Xiegang Town, Dongguan, Guangdong Province, the PRC. The Property is planned to be developed into a mix of residential and commercial properties with a total gross floor area of approximately 66,141.14 sq.m. and 600 carparking spaces. The construction of the Property is planned to be completed in by the end of 2021. The Property was valued by APAC Asset Valuation and Consulting Limited, an independent property valuer (the "**Valuer**"), at RMB716 million as at 30 June 2021. The full text of the valuation report of the Property (the "**Valuation**") is set out in Appendix IV to the Circular

As disclosed in the Letter from the Board, the Target Company has already launched the pre-sale of the Property in 2020 and received good responses from the market. The total construction cost incurred for the Property was approximately RMB159.5 million as at 30 June 2021 whereas total construction cost for the Property is expected to be approximately RMB419 million, as advised by the Company. The remaining balance of the construction cost will be financed by the deposits and sale proceeds received by the Target Company during the pre-sale stage of the Property.

3. Reasons for and benefits of the Acquisition

As disclosed in the Letter from the Board, the Target Company has commenced the property development business in 2020 and achieved satisfactory pre-sale results. We concur with the Directors that acquisition of additional equity interest in the Target Company allows the Group to (i) generate more revenue attributable to the Shareholders from the development of the Property following the delivery or leasing of the residential and commercial properties in the future, which may ultimately bring a higher return to the Group and the Shareholders; and (ii) strengthen its presence in the property market in the PRC.

Taking into account that (i) the property development business represents a growth potential for the Group in view of the positive trend and outlook of the property market in Dongguan, the PRC, as set out in the section headed "4. Industry overview" below; and (ii) the Acquisition represents an opportunity for the Group to further consolidate its interest in the Target Company so as to capture additional share in the revenue and profit of the Target Company, we concur with the Directors that the Acquisition is in the interest of the Company and the Shareholders as a whole.

4. Industry overview

(i) Property market in Dongguan, the PRC

Set out below are (i) 全年完成房地產開發投資 (completed investment in property development); (ii) 新建商品房網上簽約銷售金額 (online contracted sales value of newly constructed commodity properties); and (iii) average selling price of online contracted sales of newly constructed commodity properties, in Dongguan, the PRC, from 2016 to 2020:

	2016	**2017**	**2018**	**2019**	**2020**	**2016-2020 CAGR**
Completed investment in property development (in RMB billion)	64.3	70.2	73.7	79.6	87.1	7.9%
Online contracted sales value of newly constructed commodity properties (in RMB billion)	145.9	128.2	123.5	138.5	200.1	8.2%
Average selling price of online contracted sales of newly constructed commodity properties (in RMB per sq.m.)	13,744	15,796	16,959	18,733	22,349	12.9%

Source: 東莞市統計局 (Dongguan Bureau of Statistics)

As shown in the table above, total completed investment in property development in Dongguan, the PRC, exhibited an upward trend from approximately RMB64.3 billion in 2016 to approximately RMB87.1 billion in 2020, representing a compound annual growth rate ("**CAGR**") of approximately 7.9%. This indicated a moderate growth in the supply of commodity properties on the market. Meanwhile, total online contracted sales value of newly constructed commodity properties in Dongguan, the PRC, decelerated in 2017 and 2018 before it rebounded significantly in 2019 and 2020, representing a CAGR of approximately 8.2% during the entire period. Average selling price of online contracted sales of newly constructed commodity properties in Dongguan, the PRC, increased significantly at a CAGR of approximately 12.9% from approximately RMB13,744 per sq.m. in 2016 to approximately RMB22,349 per sq.m. in 2020. This showed that the demand for commodity properties outweighed the supply of commodity properties.

According to Dongguan Bureau of Statistics, the property market in Dongguan, the PRC, in the first half of 2021 grew significantly as the market is recovering from the COVID-19 outbreak which adversely affected the market in the first half of 2020. Investment in property development and average selling price of online contracted sales area of newly constructed commodity properties in Dongguan, the PRC, amounted to approximately RMB43.1 billion and RMB28,287 per sq.m., representing an increase of approximately 24.5% and 24.3%, respectively, as compared to the corresponding period in 2020.

(ii) Property market in Xiegang Town, Dongguan, the PRC

Set out below are (i) 新建商品住宅網上簽約銷售金額 (online contracted sales value of newly constructed residential properties); and (ii) average selling price of online contracted sales of newly constructed residential properties, in Xiegang Town, Dongguan, the PRC, from 2016 to 2020:

	2016	**2017**	**2018**	**2019**	**2020**	**January to June 2021**
Online contracted sales value of newly constructed residential properties (in RMB million)	10.7	2.3	7.6	192.1	813.0	2,012.8
Average selling price of online contracted sales of newly constructed residential properties (in RMB per sq.m.)	3,348	3,299	10,892	20,440	17,713	18,036

Source: 東莞市統計局 (Dongguan Bureau of Statistics)

As shown in the table above, as regards newly constructed residential properties in Xiegang Town, Dongguan, the PRC, the online contracted sales value has been increasing rapidly during the period from 2016 to the first half of 2021. Meanwhile, the average selling price of online contracted sales of newly constructed residential properties grew significantly from 2016 to 2019 before it decelerated in 2020 due to the COVID-19 outbreak. In the first half year of 2021, online contracted sales value amounted to approximately RMB2,012.8 million with an average selling price of approximately RMB18,036 per sq.m., representing an increase of approximately 147.6% and 1.8%, respectively, as compared to 2020. Despite the decrease in average selling price in 2020 caused by the COVID-19 outbreak, the demand for residential properties remained strong as evidenced by the fast growing online contracted sales value in 2020 and the first half of 2021.

(iii) Outlook

Since early 2020, the PRC economy and the property market in Dongguan, the PRC, have been affected by the COVID-19 outbreak, in addition to the economic recession in major economies. However, given (a) the recovery of the PRC economy as the COVID-19 has been well contained; (b) the increasing online contracted sales value and average selling price of newly constructed commodity properties in Dongguan, the PRC, since 2016; and (c) the growth in online contracted sales value and average selling price of newly constructed residential properties in Xiegang Town, Dongguan, the PRC between 2016 and the first half of 2021, the balance of evidence suggests that the outlook for the property market in Dongguan, the PRC, will be generally positive in the long run.

5. Principal terms of the Equity Sale and Purchase Agreement and the Convertible Bonds

(i) The Equity Sale and Purchase Agreement

Set out below is a summary of the principal terms of the Equity Sale and Purchase Agreement. Independent Shareholders are advised to read further details of the Equity Sale and Purchase Agreement as disclosed in the Letter from the Board.

Date	:	30 July 2021
Parties	:	(a) The Company, as the purchaser; and
		(b) Shenzhen Yaoling, as the vendor
Subject matter	:	55% equity interest in the Target Company

Consideration	:	RMB137,300,000 (equivalent to HK$164,760,000), which shall be satisfied on the Completion Date, as to (a) RMB40,000,000 (equivalent to HK$48,000,000) by cash; (b) HK$90,000,000 (equivalent to approximately RMB74,700,000) by the issue and allotment of 450,000,000 Consideration Shares at the Issue Price of HK$0.2 per Consideration Share; and (c) HK$27,120,000 (equivalent to approximately RMB22,600,800) by the issue of the Convertible Bonds. As disclosed in the Letter from the Board, the Consideration was determined and arrived at after arm's length negotiation with reference to the net asset value of the Target Company of approximately RMB249.6 million as at 31 March 2021.
Conditions precedent	:	Completion is conditional upon, among other things: (a) the Company having obtained the approval from the Independent Shareholders in respect of the Acquisition (including the issue and allotment of the Consideration Shares and the Convertible Bonds) as required under the Listing Rules; and (b) the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares.
Completion	:	Completion shall take place within seven business days after fulfilment or waiver (as the case may be) of all the conditions precedent to the Equity Sale and Purchase Agreement, or such other date as the parties to the Equity Sale and Purchase Agreement may agree in writing.

(ii) The Convertible Bonds

Upon Completion, the Company will issue the Convertible Bonds to Shenzhen Yaoling to settle part of the Consideration. Set out below is a summary of the principal terms of the Convertible Bonds. Independent Shareholders are advised to read further details of the Convertible Bonds as disclosed in the Letter from the Board.

Principal amount	:	HK$27,120,000
Coupon rate	:	Zero
Maturity Date	:	The date falling on the fifth anniversary after the issue date of the Convertible Bonds
Conversion Price	:	HK$0.2 per Conversion Share (subject to adjustments below)
Conversion Shares	:	Assuming full exercise of the conversion right attached to the Convertible Bonds at the Conversion Price of HK$0.2 per Conversion Share, the Company will issue a total of 135,600,000 Conversion Shares, representing: (a) approximately 5.87% of the issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 4.68% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds.

Conversion right	:	Subject to compliance with the procedures set out in the conditions of the Convertible Bonds, the holders of the Convertible Bonds have the right to convert all or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares at any time commencing from the date of issue up to the maturity date provided that the amount of each conversion shall not be less than an integral multiple of HK$271,200. The exercise of the conversion right under the Convertible Bonds by Shenzhen Yaoling is subject to (a) the Company meeting the public float requirement under the Listing Rules; and (b) Mr. Chen Weiwu, the controlling Shareholder, holding not less than 50% equity interest in the Company.
Conversion adjustments (the "**Conversion Adjustment**")	:	The Conversion Price will be subject to adjustment upon the occurrence of, among other things, (a) consolidation, sub-division and reclassification of the Shares; (b) capitalisation of profits or reserves; (c) capital distribution by the Company to the Shareholders; (d) rights issue of the Shares, options or warrants or other securities; (e) issue of the Shares or other securities at a price less than 80% of the market price of the Shares; (f) modification of the rights of conversion, exchange or subscription of securities at a price less than 80% of the market price of the Shares; and (g) other offers made by the Company or its subsidiaries or other persons to the Shareholders in connection with an offer to which the Shareholders are generally entitled to participate.
Early redemption	:	The Company shall have the right, as from the expiry of 6 months following the issue date of the Convertible Bonds, to partly or fully redeem the Convertible Bonds early, upon obtaining the written approval from Shenzhen Yaoling. The amount payable by the Company to early redeem the Convertible Bonds (or any part thereof) shall be the principal amount being redeemed.
Transferability	:	The Conversion Bonds are non-transferrable.
Voting rights	:	The Conversion Bonds do not confer any voting right.

Listing	:	Application for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the conversion right under the Convertible Bonds will be made by the Company to the Stock Exchange.

6. Other alternative methods of financing

The Consideration shall be satisfied as to (i) RMB40,000,000 (equivalent to HK$48,000,000) by cash; (ii) HK$90,000,000 (equivalent to approximately RMB74,700,000) by the issue and allotment of the Consideration Shares; and (iii) HK$27,120,000 (equivalent to approximately RMB22,600,800) by the issue of the Convertible Bonds. This is an approximately 30:55:15 split (the "**Split**") among cash, equity and debt financing.

Relative to the Group's cash and bank balances of approximately HK$61.2 million as at 31 March 2021 (excluding the cash and cash equivalents of the Target Company), it is not possible to satisfy the Consideration of RMB137,300,000 (equivalent to HK$164,760,000) significantly in cash. We concur with the Directors that the issue of the Consideration Shares and the Convertible Bonds to satisfy a majority of the Consideration shall reduce the cash outlay for the Acquisition to a level which is within the Group's financial capacity and reserve sufficient working capital for the operations of the Group. In determining the split between the Consideration Shares and the Convertible Bonds, the Directors have considered both the dilution impact on the shareholdings of the existing Shareholders and the impact on the Group's gearing ratio.

Taking into account (i) the size of the Acquisition; (ii) the internal resources and working capital requirement of the Group; (iii) the potential lengthy negotiations with banks for any debt financing and the requirement of interest payments for any bank borrowing, as compared to the zero-coupon Convertible Bonds; (iv) the potential significant discount of the price of a private placement or a rights issue or open offer to the current market price, as compared the premiums of the Issue Price over the historical Share prices; and (v) the impact on the shareholdings of the existing Shareholders and the gearing ratio of the Group, we consider the Split to be an appropriate method of financing.

7. Valuation of the Property

The Consideration is determined with reference to the net asset value of the Target Company of approximately RMB249.6 million as at 31 March 2021. The carrying amount of the Property was approximately RMB643.2 million as at 31 March 2021. The Property was valued by the Valuer at RMB716 million as at 30 June 2021.

We have conducted an interview with the Valuer to enquire its experience in valuing similar property interests in the PRC and its independence. We have also reviewed the terms of engagement of the Valuer, in particular to its scope of work. We noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation Report. We have also performed work as required under note (1)(d) to the Listing Rule 13.80 in relation to the Valuer and its work as regards the Valuation.

The Valuer confirmed that it has performed a site visit to the Property. We have discussed with the management of the Group to understand the latest status as well as the development and funding plans of the Property.

When arriving at the Valuation, the Valuer has valued the Property on the basis that the Property will be developed and completed in accordance with the latest development plan and adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and taking into account the expended and outstanding construction costs to reflect the quality of the completed development. As stated in the Valuation Report, the valuation is conducted in compliance with Chapter 5 and Practice Note 12 of the Listing Rules and the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors. We have reviewed and discussed with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the value of the Property. We have also reviewed the valuation methodologies adopted for similar types of properties of certain property companies and noted that the methodology adopted in the Valuation Report is usual. Taking into consideration of the nature of the Property and that the Valuation is conducted in accordance with the aforesaid requirements, we consider that the methodology, basis and assumptions adopted by the Valuer for determining the value of the Property are appropriate.

8. Evaluation of the Consideration

(i) Basis of the Consideration

The Consideration is RMB137,300,000 (equivalent to HK$164,760,000), which was determined with reference to the net asset value of the Target Company of approximately RMB249.6 million as at 31 March 2021.

As discussed in the section headed “2. Information of the Target Company and the Property – (i) The Target Company” above, the Target Company is principally engaged in property development in the PRC and its net asset value as at 31 March 2021 primarily consisted of (a) the Property; (b) prepayments, deposits and other receivables; (c) contract liabilities; and (d) bank borrowings. Taking into account (a) the significant property interests held by the Target Company; and (b) that the Target Company has not yet generated any revenue as the Property is still under development, we consider that it is appropriate to use the reassessed net asset value (the “**Reassessed NAV**”) to assess the Consideration.

According to the accountants' report of the Target Company as set out in Appendix II to the Circular, properties under development, being the Property, are stated at the lower of cost and net realisable value. The Reassessed NAV of the Target Company reflects its underlying net asset backing after taking into account the valuation of the Property performed by the Valuer, an independent property valuer, as extracted from Appendix IV to the Circular:

	RMB'000 *(Approximate)*
Audited net asset value of the Target Company as at 31 March 2021 *(Note 1)*	249,610
Add: Net revaluation surplus arising from the valuation of the Property as at 30 June 2021 *(Note 2)*	47,249
The Reassessed NAV of the Target Company	**296,859**
Equity interest of the Target Company to be acquired under the Acquisition	55%
The Group's share of the Reassessed NAV of the Target Company under the Acquisition	**163,272**
The Consideration	137,300
Discount of the Consideration to Group's share of the Reassessed NAV of the Target Company under the Acquisition	15.9%

Notes:

1. *Extracted from Appendix II to the Circular.*

2. *Represents the revaluation surplus arising the difference between the valuation of the Property of RMB716 million as at 30 June 2021 as extracted from Appendix IV to the Circular and the unaudited carrying amount of the Property of approximately RMB668.8 million as at 30 June 2021.*

As shown above, the Consideration represents a discount of approximately 15.9% to the Group's share of the Reassessed NAV of the Target Company under the Acquisition based on the valuation of the Property prepared by the Valuer.

The Valuer has adopted the direct comparison approach in valuing the Property as at 30 June 2021 which we consider appropriate in estimating the market value of the Property. For details of our assessment on the appropriateness of the valuation methodology adopted by the Valuer, please refer to the section headed "7. Valuation of the Property" above.

Based on the above, we consider the Consideration to be fair and reasonable.

(ii) The Consideration Shares

Pursuant to the Equity Sale and Purchase Agreement, part of the Consideration in the sum of HK$90,000,000 (equivalent to approximately RMB74,700,000) is to be satisfied by the issue and allotment of 450,000,000 Consideration Shares at the Issue Price of HK$0.2 per Consideration Share by the Company to Shenzhen Yaoling at Completion. As disclosed in the Letter from the Board, the Issue Price was determined after arm's length negotiation between the Company and Shenzhen Yaoling with reference to the recent price performance of the Shares and the prevailing market conditions.

(a) Price comparison of the Issue Price

The Issue Price of HK$0.2 per Consideration Share represents:

(1) a premium of approximately 25% over the closing price of HK$0.16 per Share as quoted on the Stock Exchange on 30 July 2021, the date of the Equity Sale and Purchase Agreement (the "**Last Trading Day**");

(2) a premium of approximately 24.53% over the average closing price of approximately HK$0.1606 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

(3) a premium of approximately 31.67% over the average closing price of approximately HK$0.1519 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

(4) a premium of approximately 60.77% over the average closing price of approximately HK$0.1244 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

(5) a premium of approximately 70.36% over the average closing price of approximately HK$0.1174 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day;

(6) a premium of approximately 69.06% over the average closing price of approximately HK$0.1183 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;

(7) a premium of approximately 81.16% over the average closing price of approximately HK$0.1104 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day;

(8) a premium of approximately 67.36% over the average closing price of approximately HK$0.1195 per Share as quoted on the Stock Exchange for the last 360 consecutive trading days up to and including the Last Trading Day;

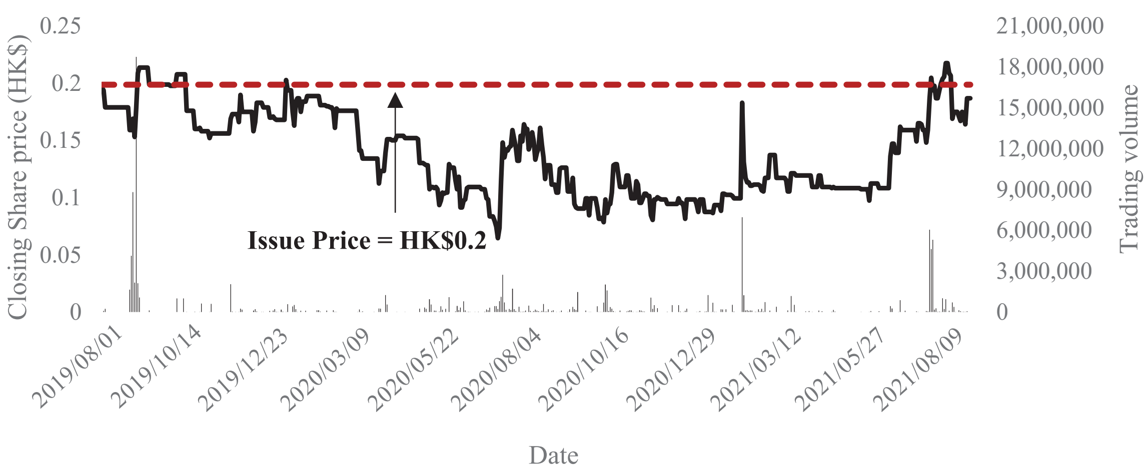
(9) a premium of approximately 6.38% over the closing price of HK$0.188 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(10) a premium of approximately 26.50% over the NAV per Share of approximately HK$0.1581 as at 31 March 2021.

(b) Analysis of the historical Share price performance

Set out below is a chart of the closing prices of the Shares on the Stock Exchange for the period from 1 August 2019 to the Last Trading Day (the "**Review Period**") and up to Latest Practicable Date, being approximately two years preceding the Last Trading Day:

Share price performance



Source: Bloomberg

As shown in the table above, during the Review Period, the Share price fluctuated between HK$0.065 (on 24 July 2020) and HK$0.215 (on 3 September 2019) per Share and generally closed below the Issue Price (468 trading days, accounting for approximately 94.5% of a total of 495 trading days). The average closing price of the Shares during the period from 1 August 2019 (i.e. the beginning of the Review Period) to 30 July 2021 (i.e. the Last Trading Day) were approximately HK$0.136 per Share, representing a discount of approximately 32.0% to the Issue Price.

The Share price closed at HK$0.16 per Share on 30 July 2021, the Last Trading Day. Since then and up the Latest Practicable Date, the Share price fluctuated between HK$0.149 and HK$0.219 per Share. As at the Latest Practicable Date, the Share price closed at HK$0.188 per Share, representing a discount of approximately 6.0% to the Issue Price.

Taking into account that (1) the Issue Price represents a substantial premium of approximately 26.50% over the NAV per Share of approximately HK$0.1581 as at 31 March 2021; (2) the premiums of the Issue Price over the closing Share prices for various periods in the 360 trading days up to and including the Last Trading Day are significant, in the range of approximately 24.53% to 81.16%; and (3) the Share price generally closed below the Issue Price (468 trading days, accounting for approximately 94.5% of a total of 495 trading days) during the Review Period, we consider that the Issue Price is fair and reasonable as far as the Independent Shareholders are concerned.

(iii) The Convertible Bonds

Pursuant to the Equity Sale and Purchase Agreement, part of the Consideration in the amount of HK$27,120,000 (equivalent to approximately RMB22,600,800) is to be satisfied by the issue of the Convertible Bonds upon Completion.

In evaluating the fairness and reasonableness of the principal terms of the Convertible Bonds, we have, on a best effort basis, researched and identified an exhaustive list of convertible bonds or notes (the "**Comparable CBs**") issued or to be issued by companies listed on the Stock Exchange as consideration for acquisitions conducted by the respective listed companies which were announced during the period from 2 July 2020 to the Latest Practicable Date (being approximately one year) (the "**Comparable Period**"). Based on the aforesaid criteria, we have identified an exhaustive list of 11 Comparable CBs.

Independent Shareholders should note that the principal business, market capitalisation, profitability and prospects of the Company and the terms of the Convertible Bonds are not the same as, or even substantially vary from, those of the Comparable CBs and their respective issuers. We consider that the Comparable CBs, whether issued to connected persons or independent third parties, are relevant to our analysis given they are providing a general reference on recent market practice or normal commercial terms.

We consider that the Comparable CBs represent fair and representative samples given (i) the Comparable CBs adequately cover the prevailing market conditions and sentiments of the capital market in Hong Kong; (ii) the Comparable CBs identified during the Comparable Period represent recent structures of convertible bonds or notes issued as consideration for acquisitions by companies listed on the Stock Exchange; (iii) similarity of the nature of the convertible bond or note exercises; and (iv) the sufficient number (i.e. size of 11) of the Comparable CBs identified.

Details of the Comparable CBs are set out below:

Date of initial announcement	Company name (stock code)	Principal amount	Connected transaction (Yes/No)	Term to maturity (Number of years)	Coupon rate (p.a.)	Premium/ (discount) of the conversion price over/(to) the closing price per share on/ prior to the date of agreements	Premium/ (discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/ up to and including the date of agreement	Major adjustment events on conversion price
21 July 2020	Star Group Company Limited (1560.HK)	HK$418,000,000	Yes	Perpetual	3%	25.00%	23.76%	Alteration of the number of shares due to consolidation and sub-division, issue (other than in lieu of a cash dividend) of shares credited as fully paid, capital distribution and the issue of shares and securities or convertible securities for any purpose at a price less than 80% of the market price of the shares
4 September 2020	Hao Tian International Construction Investment Group Limited (1341.HK)	HK$150,000,000	No	3	5%	(6.25%)	(7.12%)	Alteration of the nominal amount of shares, issue (other than in lieu of a cash dividend) of shares credited as fully paid, capital distribution and the issue of shares and securities or convertible securities for any purpose at a price less than 80% of the market price of the shares and other offers to shareholders
27 November 2020	Elife Holdings Limited (223.HK)	HK$20,000,000 (equivalent to approximately RMB17,000,000)	Yes	3	0	29.87%	36.99%	None

Date of initial announcement	Company name (stock code)	Principal amount	Connected transaction (Yes/No)	Term to maturity (Number of years)	Coupon rate (p.a.)	Premium/ (discount) of the conversion price over/(to) the closing price per share on/ prior to the date of agreements	Premium/ (discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/ up to and including the date of agreement	Major adjustment events on conversion price
21 December 2020	Kinetix Systems Holdings Limited (8606.HK)	HK$48,000,000	No	5	0	(14.29%)	1.49%	Alteration of the nominal amount of shares, issue (other than in lieu of a cash dividend) of shares credited as fully paid, capital distribution and the issue of shares and securities or convertible securities at a price less than 90% of the market price of the shares and other offers and grants to shareholders
13 January 2021	Jiayuan International Group Limited (2768.HK)	HK$3,420,640,000	Yes	5	0	5.10%	6.45%	Adjustment for dilutive events
17 March 2021	Qingdao Holdings International Limited (499.HK)	Approximately HK$2,224.2 million	Yes	9	0	289.58%	336.92%	Alteration of the number of shares due to share reclassification, consolidation or sub-division, issue of shares credited as fully paid (other than in lieu of cash dividend) by capitalisation of profits or reserves, capital distribution, dividend and issue of shares or other securities of the Company by way of rights, or grant of options, warrants or other rights, modification of rights of conversion, exchange, subscription, purchase or acquisition attaching to any securities and other offers and grants to shareholders

Date of initial announcement	Company name (stock code)	Principal amount	Connected transaction (Yes/No)	Term to maturity (Number of years)	Coupon rate (p.a.)	Premium/(discount) of the conversion price over/(to) the closing price per share on/prior to the date of agreements	Premium/(discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/ up to and including the date of agreement	Major adjustment events on conversion price
13 April 2021	China Hongguang Holdings Limited (8646.HK)	HK$32,520,000	Yes	Perpetual	0	6.67%	0.31%	Share consolidation, sub-division and reclassification, capitalisation of profits or reserves, capital distribution, rights issues, options, warrants, other securities, issue/ modification of shares or other securities at a price less than 80% of the market price of the shares and other offers to shareholders
11 June 2021	VBG International Holdings Limited (8365.HK)	HK$30,000,000	No	2	5%	11.11%	11.11%	Customary adjustment provisions
9 July 2021	Expert Systems Holdings Limited (8319.HK)	HK$75,600,000	Yes	5	2.5%	5.66%	7.01%	Share consolidation or sub-division, capitalisation of profits or reserves, capital distribution, rights issues, issue of shares or other securities at a price less than current market price, modification of rights of conversion and other offers to shareholders
9 August 2021	DeTai New Energy Group Limited (559.HK)	HK$185,201,000	No	2	0	0	6.88%	Share consolidation or sub-division, capitalisation of profits or reserves, capital distribution, rights issue or options at less than 80% of the current market price, rights issue of other securities, issue or grant any options, warrants or other rights to subscribe for or purchase shares at a price which is less than 80% of the current market price

Date of initial announcement	Company name (stock code)	Principal amount	Connected transaction (Yes/No)	Term to maturity (Number of years)	Coupon rate (p.a.)	Premium/ (discount) of the conversion price over/(to) the closing price per share on/ prior to the date of agreements	Premium/ (discount) of the conversion price over/(to) the average closing price per share for the last five consecutive trading days prior to/ up to and including the date of agreement	Major adjustment events on conversion price
23 September 2021	InvesTech Holdings Limited (1087.HK)	HK$30,000,000	Yes	3	1.5%	6.38%	4.31%	Alteration to the value of shares due to consolidation or subdivision, issue (other than in lieu of a cash dividend) of shares credited as fully paid, capital distribution and the issue, grant or modification of shares, securities, options, warrants or other rights for any purpose at a price less than 95% of the fair market value and other offers to shareholders
				Max	5%	289.58%	336.92%	
				Min	0%	(14.29%)	(7.12%)	
				Average	1.55%	32.62%	38.92%	
				Median	0%	6.38%	6.88%	
30 July 2021	**The Company**	**HK$27,120,000**	**Yes**	**5**	**0**	**25.00%**	**24.53%**	Share consolidation, sub-division and reclassification, capitalisation of profits or reserves, capital distribution, rights issues, issue or modification of shares, other securities or rights at a price less than 80% of the market price and other offers made to shareholders

Source: the website of the Stock Exchange *(a)* *Maturity and coupon rate*

As shown in the table above, the Comparable CBs have maturity terms ranging from two years to perpetual with coupon rates between zero and 5% per annum. The maturity term and coupon rate of the Convertible Bonds are five years and zero, respectively, which are in line with the market. We consider the setting of a maturity term of five years with zero coupon rate for the Convertible Bonds will allow the Company to avoid an immediate cash outflow and save finance costs and potential refinancing costs in the future.

(b) *Conversion price*

The Conversion Price of HK$0.2 per Conversion Share equals to the Issue Price, which represents significant premiums over the closing Share prices for various periods in the 360 trading days up to and including the Last Trading Day as well as the NAV per Share, in the range of approximately 24.53% to 81.16%, as mentioned in the section headed "8. Evaluation of the Consideration — (i) Basis of the Consideration — (ii) The Consideration Shares — (a) Price comparison of the Issue Price" above.

As shown in the table above, the conversion prices of the Comparable CBs ranged from:

(1) a discount of approximately 14.29% to a premium of approximately 289.58% to/ over the closing price per share on/ prior to the date of agreement, with a median of a premium of approximately 6.38%; and

(2) a discount of approximately 7.12% to a premium of approximately 336.92% to/ over the average closing price per share for the last five consecutive trading days prior to/ up to and including the date of agreement, with a median of a premium of approximately 6.88%.

The premiums, as represented by the Conversion Price over the closing price per Share on the Last Trading Day and the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day, are approximately 25.00% and 24.53%, respectively, which are within the ranges, and higher than the medians, of those of the Comparable CBs.

Based on the above, we consider the Conversion Price to be fair and reasonable.

(c) Adjustments to conversion price

Pursuant to the terms of Convertible Bonds, the Conversion Price will be subject to adjustment upon the occurrence of, among other things, (1) consolidation, sub-division and reclassification of the Shares; (2) capitalisation of profits or reserves; (3) capital distribution by the Company to the Shareholders; (4) rights issue of the Shares, options or warrants or other securities; (5) issue of the Shares or other securities at a price less than 80% of the market price of the Shares; (6) modification of the rights of conversion, exchange or subscription of securities at a price less than 80% of the market price of the Shares; and (7) other offers made by the Company or its subsidiaries or other persons to the Shareholders in connection with an offer to which the Shareholders are generally entitled to participate.

In assessing the fairness and reasonableness of the adjustment terms of the Convertible Bonds, we have reviewed the relevant adjustment terms of the Comparable CBs and noted that the conversion prices of the Comparable CBs are subject to adjustment upon occurrence of similar adjustment events as the Convertible Bonds including, among other things, share consolidation or sub-division, capitalisation of profits or reserves, capital distribution, rights issue, issue/ modification of shares or other securities at a price less than a certain percentage of current market price and other offers made to the shareholders. Therefore, we consider that the adjustment terms of the Convertible Bonds on the Conversion Price are usual and normal which are comparable to those of other convertible bonds in the market.

9. Financial effects of the Acquisition

Since completion of acquisition of 35% equity interest in the Target Company on 27 July 2020, the Target Company has become a non wholly-owned subsidiary of the Company and the financial information of the Target Company has been consolidated into the financial statements of the Group. Upon Completion, the Company's equity interest in the Target Company will increase from 35% to 90%, and the financial information of the Target Company will continue to be consolidated into the financial statements of the Group. The unaudited pro forma financial information of the Group (the "**Unaudited Pro Forma Financial Information**") is set out in Appendix III to the Circular.

(i) Earnings

As at the Latest Practicable Date, the Property was still under construction. It is expected that the construction of the Property will be completed by the end of 2021. As disclosed in the Letter from the Board, although the Target Company has not yet generated any revenue, it has already launched the pre-sale of the Property in 2020 and received good responses from the market. Upon Completion, the Company will further consolidate its interest in the Target Company and 90% of the net profit of the Target Company will be attributable to the Company. The Directors expect that the Target Company will contribute to the results of the Group as the residential and commercial units in the Property are gradually delivered or leased out.

(ii) ***Equity attributable to the Shareholders***

As set out in the Unaudited Pro Forma Financial Information, assuming Completion took place on 31 March 2021, the pro forma consolidated equity attributable to the Shareholders ("**NAV**") would be approximately HK$460.2 million, representing an increase of approximately 26.1% from approximately HK$365.0 million as at 31 March 2021. The pro forma NAV upon Completion has taken into account, among other things, the increase in the Company's equity interest in the Target Company, the payment of the cash portion of the Consideration, the Share Issue and the issue of the Convertible Bonds.

We set out below the NAV and pro forma NAV, on a per Share basis, of the Group based on the Unaudited Pro Forma Financial Information:

	The Group as at 31 March 2021	**The Group immediately upon Completion**
NAV (HK$)	364,960,320	460,220,363
Total number of Shares in issue	2,308,866,570	2,758,866,570
NAV per Share (HK$)	**0.1581**	**0.1668**
Percentage increase in NAV per Share		**5.5%**

As shown in the table above, the pro forma NAV per Share has increased by approximately 5.5% to approximately HK$0.1668 immediately after Completion, since the Issue Price of the Consideration Shares of HK$0.2 per Consideration Share is higher than the NAV per Share of approximately HK$0.1581 as at 31 March 2021.

(iii) ***Gearing***

The gearing ratio of the Group, defined as the sum of total bank and other borrowings, bills payables and convertible bonds minus cash and bank balances and divided by total equity attributable to the Shareholders, is expected to increase from approximately 31.1% as at 31 March 2021 to approximately 39.0% immediately after Completion, primarily attributable to the payment of cash to settle part of the Consideration and the issue of the Convertible Bonds which is partially offset by the issue and allotment of the Consideration Shares.

(iv) Working capital

The Consideration shall be partly satisfied by cash payment of RMB40,000,000 (equivalent to approximately HK$48,000,000) on the Completion Date, which shall be funded by the Group's internal resources. As at 31 March 2021, the Group had cash and bank balances of approximately HK$61.2 million, excluding the cash and bank balances of the Target Company. The development of the Property has been financed by bank borrowings of the Target Company and the proceeds from the pre-sale of the Property. Given a majority of the Consideration is to be satisfied by the issue of the Consideration Shares and the zero-coupon Convertible Bonds with a maturity term of five years, we consider that the Acquisition would not have a material impact on the working capital of the Group.

The Directors confirm that, after due and careful enquiry and taking into account the existing bank balances and cash, internal resources, available credit facilities and the effect of the transactions, the Group will have sufficient working capital for its present requirements for a period of 12 months from the date of the Circular.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon Completion.

10. Shareholding structure

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Completion and the issue and allotment of the Consideration Shares; and (iii) immediately after the Completion and the allotment and issue of the Consideration Shares and the Conversion Shares (assuming no further Shares are issued between the Latest Practicable Date and the Completion Date):

	As at the Latest Practicable Date		**Immediately after Completion and allotment and issue of the Consideration Shares**		**Immediately after Completion and allotment and issue of the Consideration Shares and the Conversion Shares** *(Note)*	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
Mr. Chen Weiwu	1,379,806,977	59.76	1,379,806,977	50.01	1,379,806,977	47.67
Shenzhen Yaoling	—	—	450,000,000	16.31	585,600,000	20.23
Public Shareholders	929,059,593	40.24	929,059,593	33.68	929,059,593	32.10
Total	**2,308,866,570**	**100.00**	**2,758,866,570**	**100.00**	**2,894,466,570**	**100.00**

Note:

For illustration purpose only. In practice, the issue of the Conversion Shares is subject to the condition that Mr. Chen Weiwu holds not less than 50% equity interest in the Company.

The issue of the Consideration Shares and the Convertible Bonds allows the Company to limit the cash consideration required for the Acquisition to an acceptable level. Assuming the there was no further issue of Shares between the Latest Practicable Date and the Completion Date, the shareholding in the Company held by existing public Shareholders would be diluted from approximately 40.24% as at the Latest Practicable Date to approximately 33.68% upon the Completion and the allotment and issue of the Consideration Shares. It should be noted that the exercise of the conversion right under the Convertible Bonds by Shenzhen Yaoling is subject to Mr. Chen Weiwu, the controlling Shareholder, holding not less than 50% equity interest in the Company. Following Completion, the Independent Shareholders would be able to secure additional interests in the Target Company and therefore the Property, which is expected to contribute to the results of the Group following the delivery or leasing of the residential and commercial properties in the future.

OPINION AND RECOMMENDATION

In arriving at our recommendation in respect of the Equity Sale and Purchase Agreement and the Acquisition, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- **Consolidation of equity interest in the Target Company**

  After completion of the Restructuring, the Group's core business segments comprise the property sub-leasing and investment business in Beijing, the PRC, and the property development business through its 35% equity interest in the Target Company. While the property sub-leasing and investment business will continue to provide a stable revenue stream to the Group, the property development business represents a growth potential for the Group in view of the industry outlook (see below). The Target Company has commenced the pre-sale of the Property since 2020. As at the Latest Practicable Date, the Property was under still construction and is expected to be completed by the end of 2021.

  Prior to the Acquisition, the Target Company is owned as to 35% by the Company and is a non wholly-owned subsidiary of the Company. Upon Completion, the Company will hold 90% equity interest in the Target Company and 90% of the net profit of the Target Company will be attributable to the Company. As a result, the Acquisition represents an opportunity for the Group to further consolidate its interest in the Target Company so as to capture additional share in the results of the Target Company.

- **Industry outlook**

  The Property is located at Xiegang Town, Dongguan, the PRC.

  During the period from 2016 to 2020, with a moderate growth in supply of commodity properties as evidenced by the amount of completed investment in property development, the average selling price of online contracted sales of newly constructed commodity properties in Dongguan, the PRC, increased significantly at a CAGR of approximately 12.9%, indicating a strong demand for properties. According to Dongguan Bureau of Statistics, the property market in Dongguan, the PRC, in the first half of 2021 grew significantly with an increase in investment in property development and average selling price of online contracted sales area of newly constructed commodity properties by approximately 24.5% and 24.3%, respectively, as compared to the corresponding period in 2020, as the market is recovering from the COVID-19 outbreak.

  As regards the property market in Xiegang Town, Dongguan, the PRC, both online contracted sales value and average selling price of online contracted sales of newly constructed residential properties have been increasing rapidly during the period from 2016 to the first half of 2021, indicating a sustained demand for residential properties.

  Based on the above, we consider that the outlook for the property market in Dongguan, the PRC, will be generally positive in the long run, providing a favorable environment for the Group's property development business.

- **Consideration**

  The Consideration of RMB137,300,000 (equivalent to HK$164,760,000) is determined with reference to the net asset value of the Target Company of approximately RMB249.6 million as at 31 March 2021. The Consideration represents a discount of approximately 15.9% to the Group's share of the Reassessed NAV of the Target Company under the Acquisition based on an independent valuation of the Property which is conducted by the Valuer based on the direct comparison approach. We consider the valuation methodology adopted by the Valuer is appropriate.

  The Consideration shall be satisfied as to (i) RMB40,000,000 (equivalent to HK$48,000,000) by cash; (ii) HK$90,000,000 (equivalent to approximately RMB74,700,000) by the issue and allotment of the Consideration Shares; and (iii) HK$27,120,000 (equivalent to approximately RMB22,600,800) by the issue of the Convertible Bonds. This is an approximately 30:55:15 split among cash, equity and debt financing. In view of the size of the Acquisition, the internal resources and working capital requirement of the Group and the impact on the shareholdings of the existing Shareholders and the gearing ratio of the Group, we regard this split to be an appropriate method of financing.

- **Issue Price of the Consideration Shares compared to market and NAV**

  The Issue Price of HK$0.2 per Consideration Share represents significant premiums over the closing Share prices for various periods in the 360 trading days up to and including the Last Trading Day, in the range of approximately 24.53% to 81.16%.

  In addition, the Share price generally closed below the Issue Price (468 trading days, accounting for approximately 94.5% of a total of 495 trading days) during the Review Period, being approximately two years preceding the Last Trading Day.

  The Issue Price also represents a considerable premium of approximately 26.50% over the NAV per Share of approximately HK$0.1581 as at 31 March 2021.

  On the above basis, we consider the Issue Price to be fair and reasonable.

- **Terms of the Convertible Bonds**

  The principal terms of the Convertible Bonds are fair and reasonable after considering the following:

  (i) the setting of the Convertible Bonds with zero coupon and a maturity term of five years allows the Company to avoid an immediate cash outflow and minimise its finance costs and repayment pressure given the size of the Acquisition and the Group's existing financial resources;

  (ii) the premiums of the Conversion Price over the closing Share prices for various periods in the 360 trading days up to and including the Last Trading Day are significant, in the range of 24.53% to 81.16%;

  (iii) the premiums as represented by the Conversion Price over the closing Share price on the Last Trading Day and the average closing price of the Shares for the last five consecutive trading days up to and including the Last Trading Day are within the ranges, and higher than the medians, of those of the Comparable CBs; and

  (iv) the adjustment terms on the Conversion Price represent usual and normal adjustment terms which are comparable to those of the Comparable CBs.

- **Enhancement in NAV per Share**

  The unaudited pro forma NAV per Share upon completion of the Acquisition is approximately HK$0.1668, approximately 5.5% higher than the NAV per Share of the Group of approximately HK$0.1581 as at 31 March 2021.

- **Decrease in Independent Shareholders' percentage shareholding**

  Independent Shareholders' holdings would be diluted upon Completion from approximately 40.24% to approximately 33.68%. We consider that a considerable degree of dilution was inevitable once it was decided to finance the Acquisition mainly by equity unless a rights issue was made which had longer timetable and greater execution risk. The dilution is an unattractive feature in itself, but in our view should be viewed in the context of the Acquisition as a whole, which we consider fair on the grounds summarised above.

Based on the above, we consider that the Equity Sale and Purchase Agreement is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Equity Sale and Purchase Agreement, while not in the ordinary and usual course of business of the Group, is nevertheless in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Equity Sale and Purchase Agreement.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the three financial years ended 31 March 2019, 2020 and 2021, including the independent auditors' report thereon and the notes thereto, have been disclosed in the respective annual reports of the Company. The auditor of the Company has not issued any qualified opinion on the Group's consolidated financial statements for the three financial years ended 31 March 2019, 2020 and 2021. The annual reports of the Company for the three financial years ended 31 March 2019, 2020 and 2021 are published on the websites of HKEXnews (http://www.hkexnews.hk) and the Company (http://www.ts674.com) respectively.

The 2019 Financial Statements are set out from page 59 to 236 in the 2019 Annual Report which was published on 25 July 2019. The 2019 Annual Report is available on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ts674.com) and is accessible via the following hyperlink:
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0725/ltn20190725937.pdf

The 2020 Financial Statements are set out from page 63 to 228 in the 2020 Annual Report which was published on 28 July 2020. The 2020 Annual Report is available on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ts674.com) and is accessible via the following hyperlink:
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0728/2020072800454.pdf

The 2021 Financial Statements are set out from page 70 to 244 in the 2021 Annual Report which was published on 23 July 2021. The 2021 Annual Report is available on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ts674.com) and is accessible via the following hyperlink:
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072300936.pdf

2. INDEBTEDNESS

As at the close of business on 31 August 2021, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of this Circular, the Enlarged Group had outstanding borrowings of approximately HK$304.2 million, details of which are set out below:

	Approximate *HK$ million*
Bank and other borrowings, secured and guaranteed	
Repayable within one year	270.9
Amount due to non-controlling shareholders of subsidiaries, unsecured	33.3

Securities

As at 31 August 2021, the bank and other borrowings of the Enlarged Group were secured by:

(i) personal and corporate guarantees given to bank for certain bank borrowings by Mr. Chen Weiwu, a director of the Company, his spouse, a subsidiary and related companies of a non-controlling shareholder;

(ii) entire equity interest of a subsidiary;

(iii) properties under development of the Enlarged Group.

Lease liabilities

The lease liabilities as at 31 August 2021 were approximately HK$585.2 million.

Contingent liabilities

As at 31 August 2021, the Enlarged Group had contingent liabilities in respect of the guarantees of approximately RMB237.7 million provided to various domestic banks in the PRC to provide loan and mortgage facilities to purchasers of its properties prior to the transfer of land title deeds.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, the Enlarged Group did not have any loan capital issued or agreed to be issued, debt securities issued and outstanding, authorized or otherwise created but unissued, bank overdrafts or loans or term loans, other borrowings or other similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 August 2021.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after due and careful enquiry and taking into account the existing bank balances and cash, internal resources, available credit facilities and the effect of the transactions, the Enlarged Group will have sufficient working capital for its present requirements for a period of 12 months from the date of this circular. The Company has obtained the relevant confirmation required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

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 March 2020, being the date on which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The outbreak of COVID-19 has resulted in major impact to businesses especially in exhibition segment and the future is challenging and unpredictable in global business environment. The pandemic has put forward higher requirements for the Group to review and perform in terms of its future strategy planning. Despite the challenges currently facing, the PRC economy has shown stable growth momentum, supported by the sustainable development and continuous improvement in the macro economy. As a result of the adverse impact of COVID-19, the Directors of the Group are expecting the businesses to remain cautious and will take appropriate measures as and when it is necessary to minimise the financial impact, meanwhile to also look for potential investment opportunities which could strengthen the financial profitability for the Group.

The management team and the Board of Directors are made up of highly qualified and competent individuals who are experienced in the real estate development industry in PRC. The team possesses significant knowledge, resources and networks in China of which the Company expects to be able to leverage for its future development in the property sub-leasing, development and investment projects in the PRC.

The Group has continued its efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position and to meet its performance objectives. The Group is working towards attaining a sustainable growth whilst continuously exploring and diversifying other suitable investment opportunities (if any) to enhance the overall earning potential, and ultimately maximising the shareholder value.

Through acquiring the Target Group, the Group would be able to participate in the development of the Dongguan Land and commence the engagement of property development business in the PRC. The Group plans to make investment in more property sub-leasing, development and investment projects in the PRC. The Company believes that this would bring steady returns to the shareholders of the Company.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY.

The following is the text of a report set out on pages II-1 to II-2, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA TANGSHANG HOLDINGS LIMITED

Introduction

We report on the historical financial information of Dongguan Huachuangwen Land Ltd.*（東莞市華創文置地有限公司）(the "**Target Company**") set out on pages II-3 to II-29, which comprises the statements of financial position of the Target Company as at 31 March 2020 and 2021 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for the period from 6 January 2020 (date of establishment) to 31 March 2020 and the year ended 31 March 2021 (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 II-3 to II-29 forms an integral part of this report, which has been prepared for inclusion in the circular of China Tangshang Holdings Limited (the "**Company**") dated 30 September 2021 (the "**Circular**") in connection with the very substantial acquisition and connected transaction in relation to acquisition of 55% of equity interest in the Target Company by the Company (the "**Proposed Acquisition**").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on the Historical Financial

* *The unofficial English translation is for identification purpose only.*

Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 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, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 March 2020 and 2021 and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation 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 of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-3 have been made.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate Number: P06262

Hong Kong
30 September 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of the Historical Financial Information

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

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

The Historical Financial Information is presented in Renminbi ("**RMB**").

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**For the period from 6 January 2020 (date of establishment) to 31 March 2020** *RMB*	**For the year ended 31 March 2021** *RMB*
Revenue	*7*	—	—
Other gains or losses, net	*8*	4,119	1,062,488
Depreciation on property, plant and equipment		—	(927,020)
Staff costs	*10*	(69,030)	(3,079,428)
Other operating expenses		(304,634)	(7,583,001)
Finance costs	*9*	—	—
Loss before income tax expense		(369,545)	(10,526,961)
Income tax expense	*12*	—	—
Loss and total comprehensive expense for the period/year		(369,545)	(10,526,961)

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 March 2020 RMB	At 31 March 2021 RMB
ASSETS			
Non-current asset			
Property, plant and equipment	14	392,377	5,716,590
Current assets			
Properties under development	15	532,209,146	643,220,934
Prepayments, deposits and other receivables	16	117,915	259,556,423
Contract costs	19	—	3,337,128
Prepaid tax		—	8,079,032
Cash and bank balances	17	30,473,433	96,947,880
Total current assets		562,800,494	1,011,141,397
Total assets		563,192,871	1,016,857,987
LIABILITIES			
Current liabilities			
Accounts payable	18	4,458,715	2,972,582
Accruals and other payables	18	21,614,931	2,510,407
Contract liabilities	19	—	367,448,768
Amount due to the immediate holding company	20	—	121,841,154
Amounts due to non-controlling shareholders	20	—	27,668,901
Bank borrowings	21	—	244,706,179
Lease liabilities	22	193,257	100,313
Total current liabilities		26,266,903	767,248,304
Net current assets		536,533,591	243,893,093
Total assets less current liabilities		536,925,968	249,609,683
Non-current liability			
Lease liabilities	22	100,313	—
Net Assets		536,825,655	249,609,683
CAPITAL AND RESERVES			
Paid-in capital	23	10,000,000	10,000,000
Reserves	24	526,825,655	239,609,683
Total equity		536,825,655	249,609,683

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB* *(Note 23)*	**Capital reserve** *RMB* *(Note 24)*	**Accumulated losses** *RMB* *(Note 24)*	**Total** *RMB*
Capital injection upon establishment	10,000,000	—	—	10,000,000
Capital contribution *(Note 1)*	—	527,195,200	—	527,195,200
Loss and total comprehensive income for the period	—	—	(369,545)	(369,545)
At 31 March 2020 and 1 April 2020	10,000,000	527,195,200	(369,545)	536,825,655
Capital reduction *(Note 2)*	—	(276,689,011)	—	(276,689,011)
Loss and total comprehensive income for the year	—	—	(10,526,961)	(10,526,961)
At 31 March 2021	10,000,000	250,506,189	(10,896,506)	249,609,683

Note 1: The amount of approximately RMB527,195,200 credited to capital reserve represents the amount due to a shareholder being waived by a shareholder during the period from 6 January 2020 (date of establishment) to 31 March 2020. The waiver is accounted as deemed capital contribution from a shareholder.

Note 2: In March 2021, the immediate holding company of the Target Company, Dongguan Huachuangwen Industry Development Ltd.*（東莞華創文實業開發有限公司）has entered into agreement with the 55% and 10% non-controlling shareholders of the Target Company, to reduce the capital of the Target Company in total by RMB276,689,011 (the "**Capital Reduction**"). Pursuant to the Capital Reduction, the shareholders of the Target Company shall be paid or payable in accordance with the equity interests in the Target Company on the completion date of the Capital Reduction. Upon completion of the Capital Reduction, the capital reserve of the Target Company has reduced from RMB527,195,200 to RMB250,506,189.

STATEMENTS OF CASH FLOWS

	Notes	For the period from 6 January 2020 (date of establishment) to 31 March 2020 *RMB*	For the year ended 31 March 2021 *RMB*
Loss before income tax expense		(369,545)	(10,526,961)
Adjustments for:			
Interest income	*8*	(4,119)	(299,531)
Depreciation on property, plant and equipment		—	927,020
		(373,664)	(9,899,472)
Increase in properties under development		(532,173,948)	(99,687,427)
Increase in prepayments, deposits and other receivables		(117,915)	(259,438,508)
Increase in contract costs		—	(3,337,128)
Increase in restricted cash		—	(96,645,705)
Increase/(decrease) in accounts payable		4,458,715	(1,486,133)
Increase in accruals, other payables and contract liabilities		910,131	369,049,044
Cash flows used in operating activities		(527,296,681)	(101,445,329)
Interest received		4,119	299,531
Tax paid		—	(8,079,032)
Net cash used in operating activities		(527,292,562)	(109,224,830)
Cash flows from investing activity			
Purchases of property, plant and equipment	*14*	(32,005)	(6,467,415)
Net cash used in investing activity		(32,005)	(6,467,415)

	Notes	For the period from 6 January 2020 (date of establishment) to 31 March 2020	For the year ended 31 March 2021
		RMB	*RMB*
Cash flows from financing activities			
Increase in bank borrowings		—	327,197,667
Repayment of bank borrowings		—	(82,491,488)
Proceeds from capital contribution		10,000,000	—
Capital reduction by non-controlling shareholders		—	(152,178,956)
Advance from the immediate holding company		—	25,000,000
Advance from/(repayment to) an shareholder		547,900,000	(20,704,800)
Repayment of principal portion of the lease liabilities		(99,563)	(193,257)
Interest paid		(2,437)	(11,108,179)
Net cash generated from financing activities		557,798,000	85,520,987
Net increase/(decrease) in cash and cash equivalents		30,473,433	(30,171,258)
Cash and cash equivalents at beginning of period/year		—	30,473,433
Cash and cash equivalents at end of period/year	*17*	30,473,433	302,175

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Corporate information

The Target Company was incorporated in the People's Republic of China (the "**PRC**") as a limited liability company on 6 January 2020. Its registered office and its principal place of business is located at Room 101, no. 842, Zhenxing Avenue, Xiegang Town, Dongguan City, Guangdong Province, the PRC. The principal activity of the Target Company is property development in the PRC.

2. Basis of preparation and presentation

The Historical Financial Information has been prepared in accordance with accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Historical Financial Information has been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below in Note 4. All HKFRSs effective for accounting period commencing from 1 April 2020 together with the relevant transitional provisions have been adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgement in the process of applying the Target Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

3. Impact of issued but not yet effective HKFRSs

The following new/revised HKFRS, potentially relevant to the Historical Financial Information, has been issued, but not yet effective and has not been early adopted by the Target Company. The Target Company's current intention is to apply this change on the date it become effective.

Amendments to HKAS 1	Disclosure of Accounting Policies[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] Effective for annual periods beginning on or after 1 April 2021

[5] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The Target Company has already commenced an assessment of the potential impact of the new/revised standards but is not yet in a position to state whether these new/revised standards would have a significant impact on the Target Company's result of operations and financial position.

4. Summary of significant accounting policies

a) Leasing

The Target Company has applied HKFRS 16 in recognising all the lease contracts or part of a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Target Company has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Target Company uses its incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Target Company measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

b) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Target Company's Land's business model for managing the asset and the cash flow characteristics of the asset. The Target Company classifies its debt instruments as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) *Impairment loss on financial assets*

The Target Company recognises loss allowances for expected credit loss ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including deposits, other receivables and cash and cash equivalents). The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Company's historical experience and informed credit assessment and including forward-looking information.

The Target Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Target Company considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Target Company in full, without recourse by the Target Company to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) *Write-off policy*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the sole director of the Target Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(iv) *Financial liabilities*

The Target Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts payable, accruals and other payables, amount due to the immediate holding company, amounts due to non-controlling shareholders, bank borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(v) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) *Derecognition*

The Target Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Target Company issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

c) ***Impairment of non-financial assets***

At the end of each reporting periods, the Target Company reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset, 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 or cash generating unit.

d) ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Furniture, fixtures and equipment	3 years
Leasehold improvements	Over the shorter of the lease term and its useful life
Right-of-use assets	Over lease term of 2 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

e) ***Properties under development***

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property. In accordance with HKAS 23 Borrowing Costs, the borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

f) Cash and cash equivalents

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

g) Revenue recognition

Revenue arising from the sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities. When the advance payments are regarded as providing a significant financing benefit to the Target Company, interest expense arising from the adjustment of time value of money will be accrued by the Target Company during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23 (see Note 4(h)).

Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Contract assets and liabilities

A contract asset represents the Target Company's right to consideration in exchange for services that the Target Company has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Target Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Contract Costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories, property and plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that the Target Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

h) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

i) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

j) Foreign currency

Transactions entered into by the Target Company in currencies other than the functional currency, which is the currency of the primary economic environment in which it operates, are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

k) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Retirement benefit cost

The employees of the Target Company are required to participate in a government-managed retirement benefit schemes. The Target Company is required to contribute a fixed cost per employee to the government-managed retirement benefit schemes. The contributions are charged to profit or loss as they become payable.

l) ***Provisions and contingent liabilities***

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

m) Related party

(a) A person or a close member of that person's family is related to the Target Company if that person:

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

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

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

(b) An entity is related to the Target Company if any of the following conditions apply:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical accounting judgement and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Net realisable value of properties under development

Included in the statements of financial position at 31 March 2021 and 2020, properties under development were with an aggregate carrying amount of RMB643,220,934 and RMB532,209,146 respectively. Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying inventories of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material reversal of or provision for impairment losses may result.

6. Operating segment information

The Target Company has identified its operating segment based on the regular internal financial information reported to the chief decision makers about allocation of resources to assess the performance of the Target Company's business.

The principal activity of the Target Company is engaged in property development in the PRC. The sole director considers that this is the only component for internal reporting to the chief decision makers and, accordingly, the only one operating segment under the requirements of HKFRS 8 "Operating Segments".

All the segment assets and liabilities are located in the PRC.

During the Relevant Periods, there is no customer contributed 10% or more to the Target Company's revenue.

7. Revenue

The principal activity of the Target Company is engaged in property development in the PRC. No revenue was generated by the Target Company during the Relevant Periods.

8. Other gains or losses, net

	For the period from 6 January 2020 (date of establishment) to 31 March 2020	**For the year ended 31 March 2021**
	RMB	*RMB*
Interest income	4,119	299,531
Others	—	762,957
	4,119	1,062,488

9. Finance costs

	For the period from 6 January 2020 (date of establishment) to 31 March 2020	For the year ended 31 March 2021
	RMB	*RMB*
Interest on bank borrowings	—	11,097,436
Interest on lease liabilities	2,437	10,743
Finance cost capitalised in property under development	(2,437)	(11,108,179)
Net finance costs recognised in profit or loss	—	—

10. Staff costs

	For the period from 6 January 2020 (date of establishment) to 31 March 2020	For the year ended 31 March 2021
	RMB	*RMB*
Salaries and other benefits	308,539	5,585,628
Contributions to defined contribution pension plan	11,629	198,158
Total staff costs	320,168	5,783,786
Less: Amounts capitalised on properties under development	(251,138)	(2,704,358)
	69,030	3,079,428

11. Director's and five highest paid individuals' remuneration

(a) Director's remuneration

	For the period from 6 January 2020 (date of establishment) to 31 March 2020			
	Fees	Salaries and other benefits	Contribution to defined contribution plans	Total
	RMB	*RMB*	*RMB*	*RMB*
The sole director				
Mr. WANG Rui	—	—	—	—

	For the year ended 31 March 2021			
	Fees	Salaries and other benefits	Contribution to defined contribution plans	Total
	RMB	*RMB*	*RMB*	*RMB*
The sole director				
Mr. WANG Rui	—	—	—	—

No compensation or any kind of benefit was paid to the Target Company's sole director in respect of their services during the Relevant Periods.

(b) Five highest paid individuals

The five highest paid individuals during the Relevant Periods do not include the sole director. Details of the remuneration of the five highest paid individuals during the Relevant Periods are as follows:

	For the period from 6 January 2020 (date of establishment) to 31 March 2020 *RMB*	For the year ended 31 March 2021 *RMB*
Salaries and other benefits	287,956	1,679,607
Pension scheme contributions	10,373	242,077
	298,329	1,921,684

Their remuneration fell within the following bands:

	For the period from 6 January 2020 (date of establishment) to 31 March 2020 No. of Individuals	For the year ended 31 March 2021 No. of Individuals
Nil to RMB1,000,000	5	5

During the Relevant Periods, there was no arrangement under which any of the director or the highest paid individuals of the Target Company waived or agreed to waive any remuneration and there were no emoluments paid by the Target Company to the sole director or any of the highest paid individuals as an inducement to join or upon joining the Target Company, or as compensation for loss of office.

12. Income tax expense

During the Relevant Periods, no PRC Enterprise Income Tax was provided as the Target Company did not generate any assessable profits.

Reconciliation between income tax expense and accounting loss at applicable tax rate is as follows:

	For the period from 6 January 2020 (date of establishment) to 31 March 2020 *RMB*	For the year ended 31 March 2021 *RMB*
Loss before income tax	(369,545)	(10,526,961)
Tax calculated at applicable tax rate of 25%	(92,386)	(2,631,740)
Tax effect of expenses not deductible for tax purpose	92,386	2,631,740
Income tax expense	—	—

13. Dividends

No dividend was paid or declared by the Target Company during the Relevant Periods.

14. Property, plant and equipment

	Furniture, fixtures and equipment *RMB*	Leasehold improvements *RMB*	Right-of-use assets *RMB*	Total *RMB*
COST				
At 6 January 2020 (date of establishment)	—	—	—	—
Additions	32,005	—	393,133	425,138
At 31 March 2020 and 1 April 2020	32,005	—	393,133	425,138
Additions	841,018	5,626,397	—	6,467,415
At 31 March 2021	873,023	5,626,397	393,133	6,892,553
ACCUMULATED DEPRECIATION				
At 6 January 2020 (date of establishment)	—	—	—	—
Charge during the period	—	—	32,761	32,761
At 31 March 2020 and 1 April 2020	—	—	32,761	32,761
Charge during the year	128,251	818,385	196,566	1,143,202
At 31 March 2021	128,251	818,385	229,327	1,175,963
CARRYING AMOUNT				
At 31 March 2020	32,005	—	360,372	392,377
At 31 March 2021	744,772	4,808,012	163,806	5,716,590

The Target Company elected to include the right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

During the period from 6 January 2020 to 31 March 2020 and the year ended 31 March 2021, depreciation of property, plant and equipment of RMB32,761 and RMB216,182 were capitalised as properties under development.

Right-of-use assets

As at 31 March 2020 and 2021, right-of-use assets represented the office premises leased for own use of RMB360,372 and RMB163,806, were included in the carrying amount of property, plant and equipment.

15. Properties under development

	As at 31 March 2020 *RMB*	As at 31 March 2021 *RMB*
Within normal operating cycle included under current assets	532,209,146	643,220,934
The balance comprises		
— Land cost	527,195,200	527,195,750
— Construction cost	5,011,509	104,914,568
— Borrowing costs capitalised	2,437	11,110,616
	532,209,146	643,220,934

The properties under development are all located in the PRC.

	As at 31 March 2020 *RMB*	As at 31 March 2021 *RMB*
Properties under development:		
— Expected to be completed and available for sale after more than 12 months	532,209,146	—
— Expected to be completed and available for sale within 12 months	—	643,220,934
	532,209,146	643,220,934

Properties under development comprise certain construction and development costs and leasehold interest in land located in the PRC with lease term of 70 years.

During the period from 6 January 2020 to 31 March 2020 and year ended 31 March 2021, borrowing costs of RMB2,437 and RMB11,110,616 arising from bank borrowings and lease liabilities recognised specifically for the properties under development were capitalised. Borrowing costs have been capitalised at rates of 5.01% and 7.24% per annum.

16. Prepayments, deposits and other receivables

	As at 31 March 2020 *RMB*	As at 31 March 2021 *RMB*
Prepayments	16,187	240,012,306
Deposits	52,000	62,000
Other receivables	49,728	19,482,117
	117,915	259,556,423

17. Cash and bank balances

	As at 31 March 2020 *RMB*	As at 31 March 2021 *RMB*
Cash and bank balances presented in the statement of financial position	30,473,433	96,947,880
Less: restricted cash	—	(96,645,705)
Cash and cash equivalents presented in statement of cash flows	30,473,433	302,175

Note:

(a) As at 31 March 2020 and 2021, the cash and cash equivalents for the Target Company was cash and bank balance denominated in RMB. RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) As at 31 March 2021, restricted cash of RMB96,645,705 held in the designated bank accounts of the Target Company are pledged to the banks until the customers' building ownership certificate of the respective properties have been obtained and transferred to the banks.

18. Accounts payable, accruals and other payables

	As at 31 March 2020 *RMB*	**As at 31 March 2021** *RMB*
Amounts payable *(note (a))*	4,458,715	2,972,582
Accruals and other payables *(note (b))*	21,614,931	2,510,407
	26,073,646	5,482,989

(a) Accounts payable

The following is an aged analysis of accounts payable at the end of the reporting period, presented based on the invoice date:

	As at 31 March 2020 *RMB*	**As at 31 March 2021** *RMB*
Within 3 months	4,458,715	2,972,582

(b) Accruals and other payables

	As at 31 March 2020 *RMB*	**As at 31 March 2021** *RMB*
Amount due to a shareholder *(Note)*	20,704,800	—
Other deposits received	—	1,980,000
Other payables	675,585	530,407
Accruals	234,546	—
	21,614,931	2,510,407

Note:

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

19. Contract costs and contract liabilities

	Contract costs	Contract liabilities
	As at 31 March 2021	
	RMB	*RMB*
Balance at beginning of year	—	—
Increase in contract liabilities as receipts in advance	—	367,448,768
Increase in contract costs	3,337,128	—
Balance at end of year	3,337,128	367,448,768

The Target Company applies practical expedient in paragraph 121 of HKFRS 15 and does not disclose information about its remaining performance obligation if the performance obligation is part of a contract that has an original expected duration of one year or less.

20. Amounts due to the immediate holding company and non-controlling shareholders

At 31 March 2021, all of the amounts due to the immediate holding company and non-controlling shareholders were unsecured, interest-free and repayable on demand.

21. Bank borrowings

	As at 31 March 2020	As at 31 March 2021
	RMB	*RMB*
Secured and interest bearing:		
Bank borrowings *(note)*	—	244,706,179

Note:

At the end of the reporting period, the bank borrowings were repayable as follows:

	As at 31 March 2020	As at 31 March 2021
	RMB	*RMB*
Borrowings repayable:		
Within one year or on demand	—	244,706,179

(i) As at 31 March 2021, personal and corporate guarantees were given to bank for the bank borrowings by Mr. Chen Weiwu, a director of the Company, his spouse, the immediate holding company of the Target Company and related companies of a non-controlling owner.

(ii) The interest rates for the bank loan is 7.24% per annum for the year ended 31 March 2021.

(iii) Entire equity interest in the Target Company has been pledged to secure the bank borrowings.

(iv) As at 31 March 2021, properties under development with carrying amount of RMB643,220,934, has been pledged to secure the bank borrowings.

22. Lease liabilities

Nature of leasing activities (in the capacity as lessee)

The Target Company leases a property in the PRC for own use. The lease comprises of fixed rent over the lease term.

	Office premises
	RMB
At 6 January 2020 (date of establishment)	—
Additions	393,133
Interest expense	2,437
Lease payments	(102,000)
At 31 March 2020 and 1 April 2020	293,570
Interest expense	10,743
Lease payments	(204,000)
At 31 March 2021	100,313

Future lease payments are due as follows:

	Minimum lease payment	**Interest**	**Present value**
	RMB	*RMB*	*RMB*
Not later than one year	204,000	(10,743)	193,257
Later than one year and not later than two years	102,000	(1,687)	100,313
At 31 March 2020	306,000	(12,430)	293,570

	Minimum lease payment	**Interest**	**Present value**
	RMB	*RMB*	*RMB*
Not later than one year	102,000	(1,687)	100,313
At 31 March 2021	102,000	(1,687)	100,313

The present value of future lease payments are analysed as:

	As at 31 March 2020	**As at 31 March 2021**
	RMB	*RMB*
Current liabilities	193,257	100,313
Non-current liabilities	100,313	—
	293,570	100,313

23. Paid-in capital

	RMB
Registered:	
At 6 January 2020 (date of establishment), 31 March 2020, 1 April 2020 and 31 March 2021	10,000,000
Paid up:	
At 6 January 2020 (date of establishment), 31 March 2020, 1 April 2020 and 31 March 2021	10,000,000

24. Reserves

The following describes the nature and purpose of each reserve within equity.

Reserves	Description and purpose
Capital reserve	During the period from 6 January 2020 (date of establishment) to 31 March 2020, a shareholder of the Target Company waived the amount due from the Target Company of RMB527,195,200 for repayment. This balance has accordingly deemed as part of capital contribution of the shareholder and transfer to capital reserve. In March 2021, the immediate holding company of the Target Company, Dongguan Huachuangwen Industry Development Ltd.*（東莞華創文實業開發有限公司）has entered into agreement with the 55% and 10% non-controlling shareholders of the Target Company, to reduce the capital of the Target Company in total by RMB276,689,011. Upon completion of the Capital Reduction, the capital of the Target Company has reduced from RMB527,195,200 to RMB250,506,189. The Capital Reduction has be paid or payable to the owners of the Target Company in according to the shareholding percentage prior to the completion of the Capital Reduction. As at 31 March 2021, Capital Reduction of RMB27,668,901 and RMB96,841,154 were not yet paid to non-controlling shareholder and immediate holding company respectively. The Target Company remained as a 35% subsidiary of the Company and the non-controlling shareholders remained the same shareholding of the Target Company upon completion of the Capital Reduction.
Accumulated losses	Cumulative net gains and losses recognised in the statement of profit or loss and other comprehensive income.

25. Capital Commitments

At the end of the Relevant Periods, capital commitments not provided for in the financial statements were as follows:

	As at 31 March 2020 *RMB*	As at 31 March 2021 *RMB*
Contracted but not provided for:		
— Construction related cost	26,857,190	113,660,309

26. Related party transactions

Save as disclosure elsewhere in the Historical Financial Information, significant related party transactions during the Relevant Periods is as follow:

Key management compensation

Key management personnel is deemed to be the sole director of the Target Company which has responsibility for the placing, directing and controlling the activities of the Target Company, whose disclosed in note 11 to the Accountants' Report.

27. Contingent liabilities

	As at 31 March 2020 *RMB*	As at 31 March 2021 *RMB*
Guarantees granted to financial institutions on behalf of purchasers of property units	—	115,639,676

The Target Company arranges with various domestic banks in the PRC to provide loan and mortgage facilities to purchasers of its properties prior to the transfer of land title deeds. In line with the consumer banking practices in the PRC, these banks require the Target Company to provide guarantees in respect of these loans including the principal, interest and other incidental costs. If a purchaser defaults on a loan, the relevant mortgagee bank is entitled to deduct the amount repayable from the restricted cash account. These guarantees provided by the Target Company to the banks would be released by the banks upon the receipt of the building ownership certificate of the respective properties by the banks from the customers when it is issued by the relevant authorities.

The management consider that it is not probable of the Target Company to sustain a loss under these guarantees as during the period of these guarantees, the Target Company can take over the ownerships of the related properties under default and sell the properties to recover the amounts paid by the Target Company to the banks. The Target Company has not recognised these guarantees. The management also consider that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Target Company in event that the purchasers default payments to banks for their mortgage loans.

28. Summary of financial instruments by category

	As at 31 March 2020 *RMB*	As at 31 March 2021 *RMB*
Financial assets at amortised cost		
Deposits and other receivables	101,728	19,544,117
Cash and bank balances	30,473,433	96,947,880
	30,575,161	116,491,997
Financial liabilities at amortised cost		
Accounts payable	4,458,715	2,972,582
Accruals and other payables	21,614,931	2,510,407
Amount due to the immediate holding company	—	121,841,154
Amounts due to non-controlling shareholders	—	27,668,901
Bank borrowings	—	244,706,179
Lease liabilities	293,570	100,313
	26,367,216	399,799,536

The carrying amounts of the Target Company's financial assets and liabilities measured at amortised cost approximate their fair values due to their short maturities.

Financial risk management objectives and policies

The main risks arising from the Target Company's financial instruments in the normal course of the Target Company's business are credit risk and liquidity risk.

These risks are limited by the Target Company's financial management policies and practices described below.

(a) Credit risk

The Target Company's maximum exposure to credit risk is the carrying amounts of cash and bank balances, deposits and other receivables. The Target Company has no concentration of credit risk from third party debtors.

As at 31 March 2020 and 2021, substantially all of the Target Company's bank deposits were deposited with major financial institutions in the PRC, which management believes are of high-credit-quality without significant credit risk.

For the deposits and other receivables, the management of the Target Company takes into account the historical default experience and forward-looking information, as appropriate, for example the Target Company considers the consistently low historical default rates of counterparties, and concludes that credit risk inherent in the Target Company's outstanding deposits and other receivables is insignificant. The management of the Target Company has assessed that deposits and other receivables do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECLs for these deposits and other receivables were immaterial under the 12 months expected losses method and no loss allowance provision was recognised during the Relevant Periods.

(b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the ability to settle the payables of the Target Company. Due to the dynamic nature of the underlying businesses, the sole director of the Target Company aim to maintain flexibility in funding by keeping sufficient working capital.

Management monitors rolling forecasts of the Target Company's liquidity reserve which comprise cash and bank balances on the basis of expected cash flow. The Target Company aims to maintain flexibility in funding while minimising its overall costs by keeping sufficient working capital.

The following table details the remaining contractual maturity for the Target Company's financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount *RMB*	Total undiscounted cash flows *RMB*	On demand and less than 3 months *RMB*	3 months to 1 year *RMB*	Over 1 year *RMB*
As at 31 March 2020					
Non-derivatives					
Accounts payable	4,458,715	4,458,715	4,458,715	—	—
Accruals and other payables	21,614,931	21,614,931	21,614,931	—	—
Lease liabilities	293,570	306,000	51,000	153,000	102,000
	26,367,216	26,379,646	26,124,646	153,000	102,000

	Carrying amount *RMB*	Total undiscounted cash flows *RMB*	On demand and less than 3 months *RMB*	3 months to 1 year *RMB*	Over 1 year *RMB*
As at 31 March 2021					
Non-derivatives					
Accounts payable	2,972,582	2,972,582	2,972,582	—	—
Accruals and other payables	2,510,407	2,510,407	2,510,407	—	—
Amount due to the immediate holding company	121,841,154	121,841,154	121,841,154	—	—
Amounts due to non-controlling shareholders	27,668,901	27,668,901	27,668,901	—	—
Bank borrowings	244,706,179	262,180,211	4,077,274	258,102,937	—
Lease liabilities	100,313	102,000	—	102,000	—
	399,799,536	417,275,255	159,070,318	258,204,937	—

(c) Capital management

The Target Company's primary objective when managing capital is to safeguard the Target Company's ability to continue as a going concern and to maximise the return to stakeholders. The Target Company's capital structure is regularly reviewed and managed by the sole director of the Target Company. The Target Company is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Target Company may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Target Company, and the risk characteristics of the Target Company's underlying assets.

The capital structure of the Target Company consists of debts, which includes accounts payable, accruals and other payables, amount due to the immediate holding company, amounts due to non-controlling shareholders, bank borrowings and lease liabilities and equity attributable to owners of the Target Company, comprising paid-in capital, capital reserve and accumulated losses. The Target Company's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The net debt to equity ratio at the end of the Relevant Periods is as follows:

	As at 31 March 2020 *RMB*	**As at 31 March 2021** *RMB*
Accounts payable	4,458,715	2,972,582
Accruals and other payables	21,614,931	2,510,407
Amount due to the immediate holding company	—	121,841,154
Amounts due to non-controlling shareholders	—	27,668,901
Bank borrowings	—	244,706,179
Lease liabilities	293,570	100,313
Less: Cash and bank balances	(30,473,433)	(96,947,880)
Net debt/(cash)	(4,106,217)	302,851,656
Equity	536,825,655	249,609,683
Net debt to equity ratio	N/A	121%

29. Note to the statements of cash flows

(a) Reconciliation of liabilities arising from financing activities:

	Amount due to a shareholder *RMB*	**Amount due to the immediate holding company** *RMB*	**Amounts due to non-controlling shareholders** *RMB*	**Bank borrowings** *RMB*	**Lease liabilities** *RMB*
As at 31 March 2020 and 1 April 2020	20,704,800	—	—	—	293,570
Financing cash flows:					
Increase in bank borrowings	—	—	—	327,197,667	—
Repayment of bank borrowings	—	—	—	(82,491,488)	—
Repayment of principal portion of the lease liabilities	—	—	—	—	(193,257)
Interest paid	—	—	—	(11,097,436)	(10,743)
Repayment to a shareholder	(20,704,800)	—	—	—	—
Advance from the immediate holding company	—	25,000,000	—	—	—
Capital reduction by non-controlling shareholders	—	—	(152,178,956)	—	—
Total changes from cash flows	(20,704,800)	25,000,000	(152,178,956)	233,608,743	(204,000)
Non-cash changes:					
Interest expense	—	—	—	11,097,436	10,743
Capital reduction	—	96,841,154	179,847,857	—	—
Total non-cash changes	—	96,841,154	179,847,857	11,097,436	10,743
As at 31 March 2021	—	121,841,154	27,668,901	244,706,179	100,313

	Amount due to a shareholder *RMB*	Lease liabilities *RMB*
As at 6 January 2020 (date of establishment)	—	—
Financing cash flows:		
Repayment of principal portion of the lease liabilities	—	(99,563)
Interest paid	—	(2,437)
Advance from a shareholder	547,900,000	—
Total changes from cash flows	547,900,000	(102,000)
Non-cash changes:		
Addition of lease liabilities	—	393,133
Interest expense	—	2,437
Deemed capital contribution	(527,195,200)	—
Total non-cash changes	(527,195,200)	395,570
As at 31 March 2020	20,704,800	293,570

(b) Major non-cash transactions:

During the period ended from 6 January 2020 (date of establishment) to 31 March 2020, the repayment of amount due to a shareholder of RMB527,195,200 has been waived and the waiver is accounted as deemed capital contribution from the shareholder.

30. Subsequent financial statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 March 2021.

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

Introduction

The following is an illustrative and unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of 55% equity interest in the Target Company (the "**Proposed Acquisition**") on the Group, as if it had taken place on 31 March 2021 for the unaudited pro forma consolidated statement of financial position and as if it had taken place on 1 April 2020 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information is prepared based on

(a) the audited consolidated statement of financial position as at 31 March 2021, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2021 as set out in the Company's published annual report for the year ended 31 March 2021;

(b) the unaudited pro forma adjustments relating to the Proposed Acquisition that are (i) directly attributable to the Proposed Acquisition and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information.

Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position, financial performance and cash flows of the Enlarged Group that would have been attained has the Proposed Acquisition been completed as at 31 March 2021 or 1 April 2020, nor purport to predict the Enlarged Group's future financial position, financial performance and cash flows.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in the published annual report of the Company for the year ended 31 March 2021 and other financial information included elsewhere in the Circular.

(1) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 31 March 2021	Pro forma adjustment		The Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*
	Note 1	*Note 3*	*Note 6*	
Non-current assets				
Property, plant and equipment	7,913,992			7,913,992
Investment properties	284,436,451			284,436,451
Finance lease receivables	275,396,189			275,396,189
Total non-current assets	567,746,632			567,746,632
Current assets				
Properties under development	770,392,961			770,392,961
Trade and other receivables	337,632,775			337,632,775
Contract costs	3,948,423			3,948,423
Finance lease receivables	26,161,513			26,161,513
Amount due from a director	77,800			77,800
Amounts due from non-controlling shareholders of subsidiaries	5,217,644			5,217,644
Amounts due from related parties	2,366			2,366
Prepaid tax	9,558,949			9,558,949
Cash and bank balances	175,939,276	(47,327,197)		128,612,079
Total current assets	1,328,931,707			1,281,604,510
Total assets	1,896,678,339			1,849,351,142
Current liabilities				
Trade, bills and other payables	27,528,453		1,382,000	28,910,453
Contract liabilities	434,758,001			434,758,001
Amounts due to non-controlling shareholders of subsidiaries	32,737,288			32,737,288
Bank and other borrowings	289,531,436			289,531,436
Lease liabilities	51,532,095			51,532,095
Current tax liabilities	85,706			85,706
Total current liabilities	836,172,979			837,554,979

	The Group as at 31 March 2021	Pro forma adjustment		The Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*
	Note 1	*Note 3*	*Note 6*	
Net current assets	492,758,728			444,049,531
Total assets less current liabilities	1,060,505,360			1,011,796,163
Non-current liabilities				
Lease liabilities	498,392,612			498,392,612
Convertible bonds	—	18,454,000		18,454,000
Total non-current liabilities	498,392,612			516,846,612
Total liabilities	1,334,565,591			1,354,401,591
Net assets	562,112,748			494,949,551
Capital and reserves attributable to owners of the Company				
Share capital	115,443,328	22,500,000		137,943,328
Reserves	249,506,992	74,152,043	(1,382,000)	322,277,035
	364,950,320			460,220,363
Non-controlling interests	197,162,428	(162,433,240)		34,729,188
Total equity	562,112,748			494,949,551

(2) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

	The Group Year ended 31 March 2021	Pro forma adjustments		The Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*
	Note 1	*Note 5*	*Note 7*	
Revenue	56,158,591			56,158,591
Other gains or losses, net	(28,200,226)			(28,200,226)
Depreciation on property, plant and equipment	(2,275,998)			(2,275,998)
Short term lease payments	—			—
Staff costs	(15,079,230)			(15,079,230)
Other operating expenses	(37,019,065)			(37,019,065)
Finance costs	(19,442,477)		(1,477,122)	(20,919,599)
Loss before income tax expense	(45,858,405)			(47,335,527)
Income tax expense	(1,159,720)			(1,159,720)
Loss for the year from continuing operations	(47,018,125)			(48,495,247)
Loss for the year from discontinued operations	(612,495)			(612,495)
Loss for the year	(47,630,620)			(49,107,742)
Other comprehensive income				
Items that may by reclassified subsequently to profit or loss				
Exchange differences arising on translating foreign operations	51,156,609			51,156,609
Release of foreign exchange reserve upon disposal of subsidiaries	2,432,762			2,432,762
Other comprehensive income for the year, net of tax	53,589,371			53,589,371
Total comprehensive income for the year	5,958,751			4,481,629
Loss for the year attributable				
Owners of the Company	(13,347,485)	(6,036,791)	(1,477,122)	(20,861,398)
Non-controlling interest	(34,283,135)	6,036,791		(28,246,344)
	(47,630,620)			(49,107,742)
Total comprehensive income for the year/period attributable to:				
Owners of the Company	8,088,898	25,852,787	(1,477,122)	32,464,563
Non-controlling interest	(2,130,147)	(25,852,787)		(27,982,934)
	5,958,751			4,481,629

(3) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	The Group Year ended 31 March 2021	Proforma adjustments			The Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Note 1	*Note 4*	*Note 6*	*Note 7*	
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before income tax expense	(46,470,900)			(1,477,122)	(47,948,022)
Adjustments for:					
Interest income	(340,333)				(340,333)
Interest expenses	19,463,914			1,477,122	20,941,036
Depreciation of property, plant and equipment	2,277,237				2,277,237
Amortisation of intangible assets	97,403				97,403
Loss on disposal of property, plant and equipment, net	16,972				16,972
Gain on termination of lease contracts	(7,676,205)				(7,676,205)
Gain on disposal of right-of-use assets	(27,781,563)				(27,781,563)
Impairment loss on goodwill	198,401				198,401
Impairment loss on trade and other receivables	2,605,087				2,605,087
Impairment loss on finance lease receivable	806,497				806,497
Impairment loss on property, plant and equipment	469,119				469,119
Loss on fair value change of investment properties	55,993,773				55,993,773
Gain on disposal of subsidiaries, net	(9,983,753)				(9,983,753)
	(10,324,351)				(10,324,351)
Decrease in inventories	118,924				118,924
Increase in properties under development	(110,412,132)				(110,412,132)
Increase in trade and other receivables	(259,137,277)				(259,137,277)
Increase in contract costs	(3,822,794)				(3,822,794)
Increase in restricted cash	(110,710,945)				(110,710,945)
Increase in trade, bills and other payables	43,705,512		1,382,000		45,087,512
Increase in contract liabilities	420,395,793				420,395,793
Decrease in finance lease receivables	8,919,868				8,919,868
	(21,267,402)				(19,885,402)
Interest received	340,333				340,333
Tax paid	(10,248,921)				(10,248,921)
Net cash used in operating activities	(31,175,990)				(29,793,990)

	The Group Year ended 31 March 2021	Pro forma adjustments			The Enlarged Group
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	Note 1	*Note 4*	*Note 6*	*Note 7*	
Cash flows from investment activities					
Acquisition of subsidiary, net of cash acquired	(14,244,313)				(14,244,313)
Acquisition of additional interests in a subsidiary	—	(47,327,197)			(47,327,197)
Disposal of subsidiaries, net of cash disposed	(1,702,727)				(1,702,727)
Increase in amounts due from non-controlling shareholders of subsidiaries	(5,051,631)				(5,051,631)
Decrease in amounts due to non-controlling shareholders of subsidiaries	(26,016,723)				(26,016,723)
Capital reduction by non-controlling shareholders	(181,096,704)				(181,096,704)
Decrease in amounts due from related parties	2,828,977				2,828,977
Proceeds from disposal of property, plant and equipment	87,291				87,291
Purchase of property, plant and equipment	(6,856,481)				(6,856,481)
Additions to investment properties	(4,453,422)				(4,453,422)
Net cash used in investing activities	(236,505,733)				(283,832,930)
Cash flows from financing activities					
Increase in bank borrowings	380,579,437				380,579,437
Repayment of bank borrowings	(151,763,797)				(151,763,797)
Repayment of principal portion of the lease liabilities	(23,876,417)				(23,876,417)
Interest paid	(30,145,215)				(30,145,215)
Net cash generated from financing activities	174,794,008				174,794,008
Decrease in cash and cash equivalents	(92,887,715)	(47,327,197)	1,382,000	—	(138,832,912)
Cash and cash equivalents at beginning of year	150,430,813				150,430,813
Effect of exchange rate changes on cash and cash equivalents	4,046,921				4,046,921
Cash and cash equivalents at end of year	61,590,019				15,644,822

Notes:

1. The amounts are extracted from the consolidated statement of financial position of the Group as at 31 March 2021, consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 31 March 2021 as set out in the published annual report of the Company for the year ended 31 March 2021.

2. The assets, liabilities and results of the Target Company were consolidated into the consolidated financial statements of the Group for the year ended 31 March 2021 as the Target Company became a non wholly-owned subsidiary of the Company since July 2020.

3. On 31 July 2021, the Company entered into the Equity Sale and Purchase Agreement with Shenzhen Yaoling, a non-controlling owner of the Target Company, to acquire 55% equity interest in the Target Company at a consideration consisting of:

   1) cash of RMB40,000,000;

   2) issue and allotment of 450,000,000 Consideration Shares; and

   3) the issue of Convertible Bonds in the principal amount of HK$27,120,000.

   According to the Group's accounting policies and Hong Kong Financial Reporting Standard 10 Consolidated Financial Statements, the acquisition of the additional 55% equity interest in the Target Company will be accounted for as an equity transaction. The carrying amount of the non-controlling interest is adjusted to reflect the change in the non-controlling interest's ownership interest in the Target Company. The difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company. The difference arising from the Proposed Acquisition is calculated as follows:

	Notes	*HK$*	*HK$*
Amount by which the non-controlling interest is adjusted			
Carrying amount of 55% equity interest in the Target Company			162,433,240
Consideration			
Cash			47,327,197
Issue of Consideration Shares	*(i)*		
— Share capital		22,500,000	
— Reserves		39,600,000	62,100,000
Issue of Convertible Bonds	*(ii)*		
— Liability component		18,454,000	
— Equity component		10,803,000	29,257,000
			138,684,197
The difference recognised in equity	*(iii)*		23,749,043

   (i) For the purpose of this Unaudited Pro Forma Financial Information, the fair value of the Consideration Shares is calculated based on the price of HK$0.138 per share of the Company. 450,000,000 Consideration Shares of the Company will be issued at HK$0.138 quoted on the Stock Exchange as at 31 March 2021 with a total share consideration of approximately HK$62,100,000.

The issue of 450,000,000 Consideration Shares with par value of HK$0.05 will result in the increase in share capital of HK$22,500,000 and share premium (included in the reserves) of HK$39,600,000.

(ii) For the purpose of preparing the Unaudited Pro Forma Financial Information, the Group has engaged an independent professional valuer to perform a valuation on the fair value of the Convertible Bonds and the valuation date is 31 March 2021. Based on the valuation report, the fair value of the liability component of Convertible Bonds was calculated by discounting the future cash flows at the effective interest rate of 7.7%. The fair value of HK$18,454,000 is credited under non-current liabilities since the maturity date of the Convertible Bonds will be made on the date falling on the fifth anniversary of the issue date of the Circular. The fair value of the equity component representing the conversion rights of the Convertible Bonds is calculated by binomial option pricing model. The fair value of HK$10,803,000 is credited in convertible bonds reserve. The issue of the Convertible Bonds is a non-cash transaction.

(iii) It represents the difference between the carrying amount of 55% equity interest in the Target Company of HK$162,433,240 and the fair value of the Consideration of HK$138,684,197. The difference of HK$23,749,043 is credited in other reserve.

4. Assuming the Proposed Acquisition had been completed on 1 April 2020 for the unaudited pro forma consolidated statement of cash flows, the adjustment reflects the cash outflows in respect of the Proposed Acquisition of HK$47,327,197.

5. Assuming the Proposed Acquisition had been completed on 1 April 2020 for unaudited pro forma consolidated statement of comprehensive income, the adjustment reflects the increase in loss and total comprehensive income for the year ended 31 March 2021.

   During the year ended 31 March 2021, the Target Company recorded a loss of HK$10,975,983 and total comprehensive income of HK$47,005,068. The loss and total comprehensive income for the year ended 31 March 2021 attributable to the owners of the Company are increased by HK$6,036,791 and HK$25,852,787 respectively as if the Proposed Acquisition had been taken place on 1 April 2020.

6. The adjustment represents the transaction costs incurred in relation to the Proposed Acquisition including professional fees. As the Proposed Acquisition is a transaction with non-controlling interest that do not result in a change a control, the corresponding transaction costs incurred are deducted from equity.

7. The adjustment represents the interest on the Convertible Bonds as if the Proposed Acquisition had been taken place on 1 April 2020. This adjustment has a continuing effect on the consolidated financial statements of the Enlarged Group in subsequent years.

8. No adjustments have been made to reflect any trading results of or other transactions entered into by the Group subsequent to 31 March 2021.

9. Except noted in note 7, the above adjustments are not expected to have continuing effects on the Enlarged Group's consolidated statement of financial position, consolidated statement of comprehensive income and the consolidated statement of cash flows.

10. The fair value of the Consideration Shares and of the Convertible Bonds arising from the Proposed Acquisition at the Completion Date may be different from that presented above and the difference may be significant.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong

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www.bdo.com.hk

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

To the directors of China Tangshang Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Tangshang Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") and Dongguan Huachuangwen Land Ltd.*（東莞市華創文置地有限公司）(the "**Target Company**") (collectively the "**Enlarged Group**") prepared by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 March 2021, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Group for the year ended 31 March 2021 and related notes as set out on pages III-2 to III-8 of Appendix III of the Company's circular dated 30 September 2021 (the "**Circular**") in connection with the very substantial acquisition and connected transaction in relation to the acquisition of 55% issued share capital of the Target Company (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page III-1 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Company's consolidated financial position as at 31 March 2021 as if the Proposed Acquisition had taken place at 31 March 2021, and on the Company's consolidated financial performance and cash flows for the year ended 31 March 2021 as if the Proposed Acquisition had been taken place at 1 April 2020. As part of this process, information about the Company's consolidated statement of financial position, consolidated financial performance and consolidated cash flows for the year ended 31 March 2021, has been extracted by the directors of the Company from the Company's audited consolidated financial statements for the year ended 31 March 2021, on which an audit report has been published.

* *The unofficial English translation is for identification only.*

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company 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**").

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 Proposed Acquisition at 31 March 2021 or 1 April 2020 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 unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, 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 by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; 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.

BDO Limited
Certified Public Accountants

Hong Kong
30 September 2021

The following is the text of a property valuation report prepared for inclusion in this document, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuations as of 30 June 2021 of the Property to be acquired by the Group.

APAC Asset Valuation and Consulting Limited
5/F, Blissful Building, 243 – 247 Des Voeux Road Central, Hong Kong
Tel: (852) 2357 0059
Fax: (852) 2951 0799

China Tangshang Holdings Limited
Unit 1201, 12/F
29 Austin Road, Tsim Sha Tsui
Kowloon, Hong Kong

30 September 2021

Dear Sirs,

RE: VALUATION OF TANGSHANG HANLIN MANSION (唐商翰林府), CAOLE VILLAGE, XIEGANG TOWN, DONGGUAN, GUANGDONG PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY") (THE "PRC")

In accordance with the instructions from China Tangshang Holdings Limited (the "**Company**") for us to value the Property situated in The People's Republic of China (the "**PRC**"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 June 2021 (the "**valuation date**") for the purpose of incorporation into the circular issued by the Company.

BASIS OF VALUATION

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

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

We confirm that the valuations are undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited, and the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Property on the open markets without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the Property.

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

VALUATION METHODOLOGY

In valuing the Property which is held by the Company under development in the PRC, we have valued the Property on the basis that the Property will be developed and completed in accordance with the latest development scheme provided to us and all consents, approvals and licences from relevant government authorities for the development scheme have been or will be obtained without any onerous conditions. We have adopted the direct comparison method by making reference to comparable sales evidences as available in the relevant market, and have taken into account the expended and outstanding construction costs to reflect the quality of the completed development.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the Property. However, we have not caused title searches to be made for the Property at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the Property in the PRC, we have relied on the legal opinion provided by the Company's PRC legal adviser, Beijing JunzeJun (Shenzhen) Law Offices (北京市君澤君(深圳)律師事務所), regarding the title and other legal matters to the Property.

SOURCES OF INFORMATION

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, site area and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Site inspections of the Property were carried out by Ms. Huang Yan Jun (Bsc in Real Estate Management) in August 2021. We have inspected the Property but have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title documents handed to us are correct. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services for any future development. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

LIMITATION OF LIABILITIES

This valuation report is issued on the understanding that you have drawn our attention to all matters of which they are aware concerning the Property which may have an impact on our valuation report up to the valuation date. We have no responsibility to update this valuation report for events and circumstances occurring after the date of completion of our assessment but will be pleased to discuss further instructions as may be required.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB).

Our valuation report is attached.

Yours faithfully,

For and on behalf of
APAC Asset Valuation and Consulting Limited
Vincent Pang
MHKIS, MRICS, RPS (GP)
Director

Note: Mr. Vincent Pang is a Registered Professional Surveyor in General Practice Division with over 25 years valuation experience on properties in Hong Kong and the PRC.

Encl.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2021
Tangshang Hanlin Mansion (唐商翰林府), Caole Village, Xiegang Town, Dongguan, Guangdong Province, The PRC	Tangshang Hanlin Mansion (the "**Property**") is a residential development to be erected on a parcel of land with a site area of 30,265.58 sq.m. According to the latest development proposal provided by the Company, the Property is planned to be developed into a residential development with a total gross floor area of approximately 66,141.14 sq.m. and 600 carparking spaces. As advised by the Company, the construction of the Property will be completed by the end of 2021 and the sales of the Property will be completed by March 2022. Details of the areas are as follow:	The Property was under construction as at the valuation date.	RMB716,000,000

Portion	Approximate gross floor area (sq.m.)
Residential	64,197.84
Retail	1,943.30
Total:	66,141.14

The land use rights of the Property have been granted for terms expiring on 1 February 2090 for residential use and 1 February 2060 for commercial services use.

1. Pursuant to the State-owned Land Use Rights Certificate – Yue (2020) Dongguan Budongchanquan Di No. 0022738 dated 17 February 2020, the land use rights of the Property with a site area of 30,265.58 sq.m. were granted to 東莞市華創文置地有限公司 ("**Huachuangwen Zhidi**") for land use rights terms expiring on 1 February 2090 for residential use and 1 February 2060 for commercial services use.

2. Pursuant to the following 8 Construction Work Commencement Permits, the construction works of the Property were approved for commencement. Details of the said permits are as follows:—

Certificate No.	Issue Date	Portion and Use	Gross Floor Area (sq.m.)
441900202004210401	1 April 2020	Block 1; Residential	21,479.31
441900202004210501	1 April 2020	Block 2; Residential and Commercial	11,049.79
441900202004210601	1 April 2020	Block 3; Residential and Commercial	12,105.67
441900202004210701	1 April 2020	Block 4; Commercial	449.69
441900202004210801	1 April 2020	Block 5; Residential	10,749.89
441900202004210901	1 April 2020	Blocks 6, 7 and 8; Residential	12,452.52
441900202004211001	1 April 2020	Block 9; Basement	19,754.89
441900202004211101	1 April 2020	Block 10; Ancillary Facilities	237.31
			88,279.07

3. Pursuant to the Pre-sale Permit – Dongguan Shang Fang Yu Zheng Zi Di No. 202000423, 202000812, 202000813, 202001025, 202001026 and 202001027, portion of residential portion of the Property were allowed for pre-sale.

4. As advised by the Company, as at the valuation date, the total construction cost incurred for the Property was approximately RMB159,530,000 whereas the total budget construction cost was approximately RMB419,000,000. In the course of our valuation, we have taken into account the said amounts in our valuation.

5. The market value of the proposed development if completed as at the date of valuation was about RMB1,140,000,000.

6. We have been provided with a legal opinion on the Property issued by the Company's PRC legal adviser, which contains, inter alia, the followings:

   i. Huachuangwen Zhidi has acquired the relevant title certificate for the land of the Property and is the owner of the land use rights of the property;

ii. Huachuangwen Zhidi has acquired the Planning Permit for Construction Use of Land of the property and the planning conditions of the property are complied with the relevant regulations and obtained approval from the government authorities;

iii. Huachuangwen Zhidi has acquired the Planning Permit for Construction Works of the property and the planning conditions of the construction works of the property are complied with the relevant regulations and obtained approval from the government authorities;

iv. Huachuangwen Zhidi has acquired the Commencement Permit for Construction Works of the property and the construction works of the property are complied with the relevant regulations and obtained approval from the government authorities;

v. Huachuangwen Zhidi has obtained 6 Pre-sale Permit of the property and can pre-sell the property accordingly; and

vi. the land use rights of the property are free from mortgage and other encumbrances.

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 March 2019, 2020 and 2021.

FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL REVIEW

Consolidated results

For the year ended 31 March 2019, the Group recorded revenue of approximately HK$81.4 million compared to approximately HK$81.3 million for the last financial year, representing a slight increase of about 0.1%, and loss for the year ended 31 March 2019 of approximately HK$15.0 million compared to approximately HK$13.4 million for the last financial year, representing an increase of about 11.9%. If the Group's last year net loss excluded the one-off net gain of HK$58.2 million attributable to the completion of disposal of subsidiaries of the Company, the net loss would be HK$61.6 million ("**Adjusted Net Loss**"). By comparing this year's net loss and last year's Adjusted Net Loss, it represented a significant decrease of approximately HK$46.6 million or 75.7%. This improvement of the financial performance was primarily resulted from (1) completion of disposal of loss-making subsidiaries in March 2018, (2) reversal of provision for financial guarantee and (3) collective efforts by the management in a series of cost cutting measures.

BUSINESS REVIEW

Exhibition-related business

China Resources Advertising & Exhibition Company Limited, a direct wholly-owned subsidiary of the Company (together with its subsidiaries, the "**CRA Group**") is principally engaged in exhibition-related business. The CRA Group has acted as an organizer and contractor for exhibitions and meeting events held in Hong Kong. It has developed over 20 years of relationship with the Hong Kong Trade Development Council ("**HKTDC**") and has become one of the major agents organising trade fairs for PRC groups whilst most of which were co-organised with the HKTDC. The clients of the CRA Group are primarily PRC based including numerous sub-councils of the China Council for the Promotion of International Trade in the PRC. For the year ended 31 March 2019, this business segment recorded revenue of approximately HK$26.0 million compared to approximately HK$39.4 million for the last financial year, representing a decrease of about 34.0%. The drop in revenue was mainly due to the decrease in number of events participants. The segment loss for the financial year of approximately HK$4.0 million compared to approximately HK$2.7 million for the last financial year, representing an increase of about 48.2%.

Property sub-leasing, development and investment business

For the year ended 31 March 2019, this business segment recorded revenue of approximately HK$45.3 million compared to approximately HK$35.8 million for the last financial year, representing an increase of about 26.5%, the increase in revenue was mainly resulted from: (i) the increase in rent for new tenants and renewal tenants in sub-leasing certain properties in Nanjing, PRC; and (ii) acquisition of a PRC company engaging in sub-leasing business in Shenzhen in October 2018, which contributed approximately HK$5.5 million of revenue from the date of acquisition to 31 March 2019. This business segment recorded profit for the financial year of approximately HK$6.6 million as compared to loss of approximately HK$0.4 million for the last financial year, primarily attributable to improvement of financial result of the existing sub-leasing business in Nanjing, PRC.

FINANCIAL SERVICES BUSINESS

Money lending

During the year, the Group conducted money lending business in Hong Kong and recognised interest income for approximately HK$2.5 million during the year (2018: HK$2.2 million). The Group will continue to explore opportunities prudently to develop this business sector but at the same time will maintain a balance and review its loan portfolio so as to control the risks of debt default.

Securities, futures and asset management

The Group was successfully granted Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) licenses by Securities and Futures Commission ("**SFC**") in May 2019 and Type 2 (dealing in futures contracts) license by SFC in June 2019. By obtaining these licenses, the management consider this would enable the Group to further diversify its business within the financial services sector, and thereby provide viable business development opportunities to the Group.

Liquidity and financial resources

As at 31 March 2019, the Group had bank and other borrowings and convertible bonds in total of approximately HK$126.6 million. As at 31 March 2018, the Group has bank borrowings, bills payables, and convertible bonds in total of approximately HK$98.1 million. The gearing ratio of the Group as at 31 March 2019 was 6.4% (2018: N/A). Such ratio was calculated with reference to the bank and other borrowings, bills payables and convertible bonds, and deduction of cash and cash equivalents, over the Company's equity attributable to owners of the Company. As at 31 March 2019, the Group had net current assets of approximately HK$79.7 million (2018: net current assets of approximately HK$85.1 million). The current ratio of the Group as at 31 March 2019 was approximately 1.4 compared with 1.5 as at 31 March 2018.

The maturity profile of the Group's bank and other borrowings is set out as follows:

	2019	**2018**
	HK$ Million	*HK$ Million*
Repayable		
Within one year	43.6	30.0

The carrying amounts of all the Group's bank and other borrowings were denominated in RMB. As at 31 March 2019, the Group's bank and other borrowings balance of approximately HK$12.8 million was charged at a fixed interest rate, and approximately HK$30.8 million was charged at a floating interest rate. As at 31 March 2018, all of the Group's bank borrowings balance was charged at a fixed interest rate. The bank and other borrowings carry effective interest rates ranged from 5.73% to 7.36% (2018: 5.8%).

On 15 August 2018, the Company entered into subscription agreements with certain independent individuals in relation to the placing of convertible bonds in an aggregate principal amount of HK$42,031,080. For the year ended 31 March 2019, no such bonds had been converted to ordinary shares of the Company. The completion of issue of convertible bonds took place on 31 August 2018, please refer to the Company's announcement dated 31 August 2018 for details.

The revenue of the Group, being mostly denominated in Renminbi and Hong Kong dollar, matches the currency requirement of the Group's expenses while other foreign currencies were immaterial. During the year ended 31 March 2019, no financial instrument was entered into by the Group used for hedging purpose. The Group was not exposed to any exchange rate risk or any related hedges.

Fund raising activities

During the year ended 31 March 2019, the Group completed the following fund raising exercise to strengthen its financial position and raised the gross proceeds of approximately HK$42.0 million, with the net proceeds of approximately HK$41.8 million after deduction of issuance expenses. Details of which are set out as follows:

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at 31 March 2019	Unutilised amount as at 31 March 2019
31 August 2018	Issue of convertible bonds in an aggregate principal amount of HK$42,031,080	Approximately HK$27.2 million for money lending business of the Group in Hong Kong	Nil	Approximately HK$27.2 million
		Approximately HK$14.6 million for general working capital of the Group	Approximately HK$7.4 million	Approximately HK$7.2 million
26 July 2017	Issue of convertible bonds in an aggregate principal amount of HK$46,341,960	Approximately HK$32.1 million for potential acquisition	Nil	Approximately HK$32.1 million
		Approximately HK$14.0 million for general working capital of the Group	Approximately HK$14.0 million	Nil

Charges

As at 31 March 2019, all of the bank and other borrowings of the Group in the total amount of HK$43.6 million were secured by personal and corporate guarantees provided by Mr. Yang Lei, a director of certain subsidiaries of the Company, his spouse and a related company, which is beneficially owned by Mr. Yang Lei and his spouse (the "**Related Company**") and certain assets of Mr. Yang Lei, his spouse and a related party.

On 13 September 2017, 南京垠坤投資實業有限公司 ("Nanjing Yinkun Investment Corporation Co. Ltd.*") and 南京創意東八區科技有限責任公司 ("Nan Jing Chuang Yi Dong Ba Qu Technology Development Co., Ltd.*"), two indirect non-wholly owned subsidiaries of the Company, provided the guarantees in respect of a loan facility for the principal amount of up to RMB40 million provided to an independent third party from a financial institution in the PRC. The amount under the loan facility has been fully repaid during the year and accordingly, the guarantee arrangement was terminated.

Save as disclosed above, the Group did not have any charges on assets as at 31 March 2019.

Contingent liabilities

As at 31 March 2019, the Group had no material contingent liabilities.

Emolument policy

As at 31 March 2019, the Group employed a total number of 98 (2018: 85) employees. The remuneration of the employees of the Group for continuing operations is amounted to approximately HK$16.2 million for the year ended 31 March 2019 (2018: HK$22.4 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses may be rewarded to the Directors and employees depending on the Group's operating results and their performance.

Further, the Company has also adopted a share option scheme for the primary purpose of providing incentives or rewards to any the Director, employee and other eligible participant who made significant contribution to the Group. The Group also provides external training courses to its staff to improve their skills and services on an ongoing basis.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

There was no significant investments held, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2019.

On 21 May 2019, the Group has entered into an acquisition agreement with an independent third party in relation to the acquisition of 73% of the share equity of Shenzhen Jinfan Investment Development Co., Ltd.*（深圳市金帆投資發展有限公司）at a cash consideration of RMB40 million. This transaction is still pending for completion. Details of the transaction were disclosed in the Company's announcement dated 21 May 2019.

Outlook

China continued to advance its industrialisation and urbanisation, and deepen the supply-side reform. As the recurrent intensification of the Sino-US trade war may become a normalised phenomenon and exports to the United States may continue to weaken, economic development will be under pressure. However, driven by "The Belt and Road Initiative" and other favorable policies, domestic demand promotion, economic development structure adjustment and other measures to promote high quality economic development will remain as the dominant trend. Therefore, the Directors expect the business environment to remain challenging, but are cautiously optimistic towards the overall outlook of the Group.

The management team and Board of Directors are highly experienced in the real estate development industry in China and possess significant resources and networks in China which the Company expects to be able to leverage for its future development in the property sub-leasing, development and investment business sector. The Group has continued the efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position.

The Group is working towards attaining a sustainable growth, and at the same time the Group is also continuously exploring and identifying other suitable investment opportunities (if any) to enhance its earning potential so as to enhance shareholder value as a whole.

Currency risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in their respective functional currencies in which the group entities operate. Therefore the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL REVIEW

Consolidated results

For the year ended 31 March 2020, the Group recorded revenue of approximately HK$78.4 million compared to approximately HK$81.4 million for the last financial year, representing a decrease of about 3.7%, and loss for the year ended 31 March 2020 of approximately HK$33.7 million compared to approximately HK$15.0 million for the last financial year, representing an increase of about 124.7%. The significant increase in loss was primarily resulted from (i) fair value loss on investment properties of approximately HK$24.3 million after adoption of HKFRS 16 Lease and, (ii) provision for financial guarantee of approximately HK$20.6 million.

BUSINESS REVIEW

Exhibition-related business

China Resources Advertising & Exhibition Company Limited, a direct wholly-owned subsidiary of the Company (together with its subsidiaries, the "**CRA Group**") is principally engaged in exhibition-related business. The CRA Group has acted as an organiser and contractor for exhibitions and meeting events held in Hong Kong. It has developed over 20 years of relationship with the Hong Kong Trade Development Council ("**HKTDC**") and has become one of the major agents organising trade fairs for PRC groups whilst most of which were co-organised with the HKTDC. The clients of the CRA Group are primarily PRC based including numerous sub-councils of the China Council for the Promotion of International Trade in the PRC. For the year ended 31 March 2020, this business segment recorded revenue of approximately HK$12.3 million compared to approximately HK$26.0 million for the last financial year, representing a decrease of about 52.7%. The drop in revenue was mainly due to the adverse impact of the coronavirus disease 2019 (the "**COVID-19**") pandemic on the exhibition industry. The segment recorded loss for the year ended 31 March 2020 of approximately HK$2.9 million compared to loss of approximately HK$4.0 million for the last financial year, representing a decrease of about 27.5%.

Property sub-leasing, development and investment business

For the year ended 31 March 2020, this business segment recorded revenue of approximately HK$65.5 million compared to approximately HK$45.3 million for the last financial year, representing an increase of about 44.6%, the increase in revenue was mainly resulted from: (i) the increase in rent for new tenants and renewal tenants in sub-leasing certain properties in Nanjing, PRC; and (ii) acquisition of a PRC company engaging in subleasing business in Shenzhen in October 2018, which contributed approximately HK$14.7 million of revenue for the year ended 31 March 2020. This business segment recorded profit for the year ended 31 March 2020 of approximately HK$11.0 million as compared to profit of approximately HK$6.6 million for the last financial year, representing an increase of about 66.7%.

FINANCIAL SERVICES BUSINESS

Money lending

During the year ended 31 March 2020, the Group conducted money lending business in Hong Kong and recognised interest income for approximately HK$0.6 million (2019: HK$2.5 million). The Group will continue to explore opportunities prudently to develop this business sector but at the same time will maintain a balance and review its loan portfolio so as to control the risks of debt default.

Securities, futures and asset management

The Group was successfully granted Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) licenses by Securities and Futures Commission ("**SFC**") in May 2019 and Type 2 (dealing in futures contracts) license by SFC in June 2019. By obtaining these licenses, the management considers this would enable the Group to further diversify its business within the financial services sector, and thereby provide viable business development opportunities to the Group.

Liquidity and financial resources

As at 31 March 2020, the Group had bank and other borrowings, bills payables and convertible bonds in total of approximately HK$178.7 million. As at 31 March 2019, the Group had bank borrowings and convertible bonds in total of approximately HK$126.6 million. The gearing ratio of the Group as at 31 March 2020 was 28.1% (2019: 6.4%). Such ratio was calculated with reference to the bank and other borrowings, bills payables and convertible bonds, and deduction of cash and cash equivalents, over the Company's equity attributable to owners of the Company. As at 31 March 2020, the Group had net current assets of approximately HK$54.7 million (2019: net current assets of approximately HK$79.7 million). The current ratio of the Group as at 31 March 2020 was approximately 1.2 compared with 1.4 as at 31 March 2019.

The maturity profile of the Group's bank and other borrowings is set out as follows:

	2020	**2019**
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	67.0	43.6
More than one year, but not exceeding two years	17.3	—
More than two years, but not exceeding three years	8.2	—
Total	92.5	43.6

The carrying amounts of all the Group's bank and other borrowings were denominated in RMB. As at 31 March 2020, approximately HK$54.7 million the Group's bank and other borrowings balance was charged at fixed rate, and approximately HK$37.8 million charged at floating rate. The bank and other borrowings carry effective interest rates ranged from 4.15% to 8.23% (2019: 5.66% to 6.84%).

The revenue of the Group, being mostly denominated in Renminbi and Hong Kong dollar, matches the currency requirement of the Group's expenses while other foreign currencies were immaterial. During the year ended 31 March 2020, no financial instrument was entered into by the Group used for hedging purpose. The Group was not exposed to any exchange rate risk or any related hedges.

Fund raising activities

In prior years, the Group completed the following fund raising exercise to strengthen its financial position and raised the gross proceeds of approximately HK$42.0 million, with the net proceeds of approximately HK$41.8 million after deduction of issuance expenses. Details of which are set out as follows:

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at 31 March 2020	Unutilised amount as at 31 March 2020
31 August 2018	Issue of convertible bonds in an aggregate principal amount of HK$42,031,080	Approximately HK$27.2 million for money lending business of the Group in Hong Kong	Nil	Approximately HK$27.2 million was reserved to be used to provide additional resources for the expansion and development of the Group's money lending business when such expansion and development plan materialises
		Approximately HK$14.6 million for general working capital of the Group	Approximately HK$14.6 million was used for general working capital of the Group as intended	Nil

Date of announcement	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at 31 March 2020	Unutilised amount as at 31 March 2020
26 July 2017	Issue of convertible bonds in an aggregate principal amount of HK$46,341,960	Approximately HK$32.1 million for potential acquisition	Nil	Approximately HK$32.1 million was reserved to be used by the Group to acquire entire share capital of the Topper Genius Investments Limited（峰智投資有限公司）, which indirectly hold 35% of the equity interest in Dongguan Huachuangwen Land Ltd*（東莞市華創文置地有限公司）through Topper Genius Investments Limited
		Approximately HK$14.0 million for general working capital of the Group	Approximately HK$14.0 million was used for general working capital of the Group as intended	Nil

Charges

As at 31 March 2020, all of the bank and other borrowings of the Group in the total amount of approximately HK$92.5 million were secured by personal and corporate guarantees provided by Mr. Yang Lei, a director of certain subsidiaries of the Company, his spouse and a related company, which is beneficially owned by Mr. Yang Lei and his spouse (the "**Related Company**"), a related party and the independent third party companies. Certain assets of Mr. Yang Lei, his spouse, a related party, the Related Company, the independent third party companies and investment properties of the Group with carrying amounts of approximately HK$118.7 million were also pledged to secure the aforesaid bank and other borrowings of the Group.

On 3 September 2019, 南京垠坤投資實業有限公司 (Nanjing Yinkun Investment Corporation Co. Ltd.*), an indirect non-wholly owned subsidiary of the Company, provided the guarantees in respect of a loan facility for the principal amount of up to RMB100 million provided to an independent third party from a financial institution in the PRC. Such facility shall be matured in 36 months, RMB80 million and RMB20 million were drawn down in September 2019 and January 2020 respectively.

Save as disclosed above, the Group did not have any charges on assets as at 31 March 2020.

Contingent liabilities

As at 31 March 2020, the Group had no material contingent liabilities.

Emolument policy

As at 31 March 2020, the Group employed a total number of 110 (2019: 98) employees. The remuneration of the employees of the Group is amounted to approximately HK$21.8 million for the year ended 31 March 2020 (2019: HK$16.2 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses may be rewarded to the Directors and employees depending on the Group's operating results and their performance.

Further, the Company has also adopted a share option scheme for the primary purpose of providing incentives or rewards to any the Director, employee and other eligible participant who made significant contribution to the Group. The Group also provides external training courses to its staff to improve their skills and services on an ongoing basis.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

On 9 April 2020, the Company entered into the equity sale and purchase agreement with Mr. Chen Weiwu, the 53.8% shareholder of the Company, to acquire entire share capital of the Topper Genius Investments Limited ("**Target Company**") and its subsidiaries (the "**Topper Group**") (the "**Acquisition**"). Upon the completion of the Acquisition, the Company will indirectly hold 35% of the equity interest in the Dongguan Huachuangwen Land Ltd.*（東莞市華創文置地有限公司）(the "**Project Company**") through the Target Company, thereby commencing its property development business in the PRC. The consideration of the Acquisition shall be settled by way of cash payment of HK$36,861,538 (equivalent to approximately RMB33,544,000) and issue and allotment of 800,000,000 consideration shares of the Company. The Acquisition is not yet completed at the date of this report. Details of the Acquisition were disclosed in the Company's announcement dated 9 April 2020 and the circular dated 22 June 2020, respectively.

Save as disclosed above, there was no significant investments held, no material acquisitions or disposals of subsidiaries, associates or joint ventures.

Outlook

The outbreak of COVID-19 has resulted in major impact to businesses especially in exhibition segment and the future is challenging and unpredictable in global business environment. The pandemic has put forward higher requirements for the Group to review and perform in terms of its future strategy planning. Despite the challenges currently facing, the PRC economy has shown stable growth momentum, supported by the sustainable development and continuous improvement in the macro economy. As a result of the adverse impact of COVID-19, the Directors of the Group are expecting the businesses to remain cautious and will take appropriate measures as and when it is necessary to minimise the financial impact, meanwhile to also look for potential investment opportunities which could strengthen the financial profitability for the Group.

The management team and the Board of Directors are made up of highly qualified and competent individuals who are experienced in the real estate development industry in PRC. The team possesses significant knowledge, resources and networks in China of which the Company expects to be able to leverage for its future development in the property sub-leasing, development and investment projects in the PRC.

The Group has continued its efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position and to meet its performance objectives. The Group is working towards attaining a sustainable growth whilst continuously exploring and diversifying other suitable investment opportunities (if any) to enhance the overall earning potential, and ultimately maximising the shareholder value.

Currency risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in their respective functional currencies in which the group entities operate. Therefore the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL REVIEW

Consolidated results

For the year ended 31 March 2021, the Group recorded revenue of approximately HK$56.7 million compared to approximately HK$78.4 million for the last financial year, representing a decrease of about 27.7%, and loss for the year ended 31 March 2021 of approximately HK$47.6 million compared to approximately HK$33.7 million for the last financial year, representing an increase of about 41%. The significant increase in loss was primarily resulted from (i) fair value loss on investment properties of approximately HK$56 million, and (ii) provision for financial guarantee of approximately HK$22.9 million.

BUSINESS REVIEW

Exhibition-related business

China Resources Advertising & Exhibition Company Limited, a direct wholly-owned subsidiary of the Company (together with its subsidiaries, the "**CRA Group**") is principally engaged in exhibition-related business. The CRA Group has acted as an organiser and contractor for exhibitions and meeting events held in Hong Kong. It has developed over 20 years of relationship with the Hong Kong Trade Development Council ("**HKTDC**") and has become one of the major agents organising trade fairs for PRC groups whilst most of which were co-organised with the HKTDC. The clients of the CRA Group are primarily PRC based including numerous sub-councils of the China Council for the Promotion of International Trade in the PRC. For the year ended 31 March 2021, this business segment recorded revenue of approximately HK$0.5 million compared to approximately HK$12.3 million for the last financial year, representing a decrease of about 95.9%. The drop in revenue was mainly due to the impact of the coronavirus disease 2019 (the "**COVID-19**") pandemic on the exhibition industry. The segment had been disrupted by the business travel restrictions imposed by nations of our own and across the world and the fact that many exhibitions had been cancelled or postponed. The segment recorded loss for the year ended 31 March 2021 of approximately HK$0.7 million compared to loss of approximately HK$2.9 million for the last financial year, representing a decrease of about 75.9%. The CRA Group has been disposed during the year to mitigate loss as the outlook of this business sector is still uncertain in view of the continuous travel restrictions across the world.

Property sub-leasing and investment business

For the year ended 31 March 2021, this business segment recorded revenue of approximately HK$56.2 million compared to approximately HK$65.5 million for the last financial year, representing a decrease of about 14.2%, this business segment recorded loss for the year ended 31 March 2021 of approximately HK$0.3 million as compared to profit of approximately HK$11.0 million for the last financial year. The increase in loss was mainly resulted from the fair value loss on investment properties.

Property development business

During the year ended 31 March 2021, the Company acquired the entire equity interest in Topper Genius Investment Limited at a total consideration of (i) cash of HK$36.7 million (equivalent to RMB33.5 million) and (ii) 800 million shares of the Company. During the year, no income was recognised (2020: nil). The segment recorded loss of approximately HK$11.0 million (2020: nil). The management would develop this business and achieve sustainable growth of the Group. The Group aims to achieve such objectives by pursuing the growth oriented strategies, including investment in more property sub-leasing business segment and investments projects in property development business segment in the PRC.

FINANCIAL SERVICES BUSINESS

Money lending

During the year ended 31 March 2021, no interest income was recognised (2020: HK$0.6 million). The management would continue to find new opportunity for this segment.

Securities, futures and asset management

The Group returned its Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) licenses to Securities and Futures Commission in November 2020 as no suitable business opportunities have been identified. The management would like to focus more on the other business segments of the Group.

Liquidity and financial resources

As at 31 March 2021, the Group had bank borrowings in total of approximately HK$289.5 million (31 March 2020: bank and other borrowings, bills payables and convertible bonds of approximately HK$178.7 million).

The maturity profile of the Group's bank and other borrowings is set out as follows:

	2021	**2020**
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	289.5	67.0
More than one year, but not exceeding two years	—	17.3
More than two years, but not exceeding three years	—	8.2
Total	289.5	92.5

The carrying amounts of all the Group's bank and other borrowings were denominated in RMB. As at 31 March 2021, the Group's bank and other borrowings balance of approximately HK$289.5 million was charged at a fixed interest rate. The bank and other borrowings carry effective interest rates 7.24% per annum (2020: from 4.15% to 8.23%).

During the year ended 31 March 2021, all convertible bonds has converted to ordinary shares of the Company. Please refer to the Company's announcement date 30 July 2020 for details.

The gearing ratio of the Group as at 31 March 2021 was 31.1% compared with 28.1% as at 31 March 2020. The Directors consider the Group as in a healthy financial position. Such ratio was calculated with reference to the bank and other borrowings, bills payables and convertible bonds and deduction of cash and cash equivalents over the Company's equity attributable to owners of the Company. As at 31 March 2021, the Group had net current assets of approximately HK$492.8 million as compared with the net current assets as at 31 March 2020 of approximately HK$54.7 million. The current ratio of the Group as at 31 March 2021 was 1.6 compared with 1.2 as at 31 March 2020.

The revenue of the Group, being mostly denominated in Renminbi and Hong Kong dollar, matches the currency requirement of the Group's expenses while other foreign currencies were immaterial. During the year ended 31 March 2021, no financial instrument was entered into by the Group used for hedging purpose. The Group was not exposed to any exchange rate risk or any related hedges.

Fund raising activities

In prior years, the Group completed the following fund raising exercise to strengthen its financial position and raised the gross proceeds of approximately HK$42.0 million, with the net proceeds of approximately HK$41.8 million after deduction of issuance expenses. Details of which are set out as follows:

Date of announcement	Description of fund raising activities	Intended Use of Proceeds	Amount of Net Proceeds Brought Forward to the year ending 31 March 2020	Amount utilized up to 31 March 2020	Amount of Net Proceeds Brought Forward to the year ending 31 March 2021	Amount utilized up to 31 March 2021	Amount of unutilized proceeds	Expected timeline
31 August 2018	Issue of convertible bonds in an aggregate principal amount of HK$42,031,080	Money lending business of the Group in Hong Kong: approximately HK$27.2 million	HK$27.2 million	nil	HK$27.2 million	nil	HK$27.2 million	31 March 2022 (resolved to change the use of the unutilised net proceeds for general working capital of the Company)
		General working capital of the Group: approximately HK$14.6 million	HK$14.6 million	HK$14.6 million	nil	nil	nil	N/A
26 July 2017	Issue of convertible bonds in an aggregate principal amount of HK$46,341,960	Potential acquisition: approximately HK$32.1 million	HK$32.1 million	nil	HK$32.1 million	HK$32.1 million	nil	N/A
		General working capital of the Group: approximately HK$14.0 million	nil	nil	nil	nil	nil	N/A

Charges

As at 31 March 2021, the Group's bank and other borrowings were secured by (i) corporate guarantees provided by related companies of a non-controlling Shareholder, and a subsidiary of the Group; (ii) personal guarantees provided by Mr. Chen Weiwu, the director of the Group and his spouse; (iii) entire equity interest of a subsidiary of the Group; and (iv) properties under development of the Group with carrying amounts of HK$770.4 million.

As at 31 March 2020, personal and corporate guarantees were given to banks and financial institutions for certain bank and other borrowings by Mr. Yang Lei, a director of certain subsidiaries of the Company, his spouse, and a related company, which is beneficially owned by Mr. Yang Lei and his spouse, a related party and the independent third party companies. Further, certain assets of Mr. Yang Lei, his spouse and a related party have been pledged to secure the bank and other borrowings.

On 3 September 2019, 南京垠坤投資實業有限公司(Nanjing Yinkun Investment Corporation Co. Ltd.*), an indirect non-wholly owned subsidiary of the Company, provided the guarantees in respect of a loan facility for the principal amount of up to RMB100 million to an independent third party from a financial institution in the PRC.

On 29 October 2020, 南京垠坤投資實業有限公司(Nanjing Yinkun Investment Corporation Co. Ltd.*) an indirect non-wholly owned subsidiary of the Company, provided the guarantees in respect of a loan facility for the principal amount of up to RMB40 million provided to an independent third party from a financial institution in the PRC.

The financial guarantees mentioned above has been transferred to third party upon disposal of the subsidiary during the year ended 31 March 2021.

Save as disclosed above, the Group did not have any charges on assets as at 31 March 2021.

Contingent liabilities

At the respective reporting dates, the contingent liabilities of the Group were as follows:

	2021	**2020**
	HK$	*HK$*
Guarantees granted to financial institutions on behalf of purchasers of property units	136,822,542	—

The Group arranges with various domestic banks in the PRC to provide loan and mortgage facilities to purchasers of its properties prior to the transfer of land title deeds. In line with the consumer banking practices in the PRC, these banks require the Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs. If a purchaser defaults on a loan, the relevant mortgagee bank is entitled to deduct the amount repayable from the restricted cash account. These guarantees provided by the Group to the banks would be released by the banks upon the receipt of the building ownership certificate of the respective properties by the banks from the customers when it is issued by the relevant authorities.

The Directors consider that it is not probable of the Group to sustain a loss under these guarantees as during the period of these guarantees, the Group can take over the ownerships of the related properties under default and sell the properties to recover the amounts paid by the Group to the banks. The Group has not recognised these guarantees. The Directors also consider that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in event that the purchasers default payments to banks for their mortgage loans.

Emolument policy

As at 31 March 2021, the Group employed a total number of 44 (2020: 110) employees. The remuneration of the employees of the Group is amounted to approximately HK$16.2 million for the year ended 31 March 2021 (2020: HK$21.8 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses may be rewarded to the Directors and employees depending on the Group's operating results and their performance.

Further, the Company has also adopted a share option scheme for the primary purpose of providing incentives or rewards to any the Director, employee and other eligible participant who made significant contribution to the Group. The Group also provides external training courses to its staff to improve their skills and services on an ongoing basis.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

During the year ended 31 March 2021, the Company entered into the equity sale and purchase agreement with Mr. Chen Weiwu, director of the Company, to acquire entire share capital of the Topper Genius Investments Limited ("**Topper Genius**") and its subsidiaries (the "**Acquisition**"). Upon the Completion of the Acquisition, the Company indirectly wholly hold 35% of the equity interest in the Dongguan Huachuangwen Land Ltd.*（東莞市華創文置地有限公司）through Topper Genius, thereby commencing its property development business in the PRC. The Consideration was settled by way of cash payment of approximately HK$36,723,000 (equivalent to approximately RMB33,544,000) and issue and allotment of 800,000,000 consideration shares of the Company. Details of the Acquisition were disclosed in the Company's announcements dated 9 April 2020 and circular dated 22 June 2020, respectively.

During the year ended 31 March 2021, BoRen Cultural Development Limited (the "**BoRen Cultural**"), a whollyowned subsidiary of the Group, entered into the sale and purchase agreement (the "**SP Agreement**") with the Purchaser in relation to the disposal of Elite-China Cultural Development Limited and its subsidiaries ("**Elite-China**"), pursuant to which BoRen Cultural has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire shares of Elite-China (representing 60% of the issued share capital of Elite-China) at the total Consideration of approximately HK$800,000 in accordance with the terms and conditions of the SP Agreement. Elite-China is a company incorporated in Hong Kong with limited liability and is owned as to 60% by BoRen Cultural. It is principally engaged in investment holding. As at the date of the announcement, Elite-China indirectly holds 100% of the equity interest in 南京垠坤投資實業有限公司 (Nanjing Yinkun Investment Corporation Co. Ltd.*) through 南京創意東八區科技有限責任公司 (Nanjing Creative Eastern 8 Zone Technology Co., Ltd.*) which established in the PRC and is principally engaged in subleasing business in Nanjing, the PRC. Completion took place on 21 December 2020 in accordance with the terms and conditions of the SP Agreement. Following the completion, those subsidiaries are no longer be held by the Group. Details of disposal were disclosed in the Company's announcement dated 1 December 2020 and circular dated 22 January 2021, respectively.

During the year ended 31 March 2021, 北京名創商業管理有限公司 (Beijing Mingchuang Business Management Co., Ltd.*) (the "**Beijing Mingchuang**"), an indirect whollyowned subsidiary of the Company, entered into the lease contracts with Beijing Tian'an Innovation Technology and Estates Limited (the "**BTIT**"), a related party of the Group, pursuant to which Beijing Mingchuang agreed conditionally to rent the properties, and BTIT agreed conditionally to lease the properties. For further details, please refer to the Company's announcement dated 11 December 2020 and circular dated 25 January 2021, respectively.

Save as disclosed above, there was no significant investments held, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2021.

Outlook

The outbreak of COVID-19 pandemic since early 2020 has resulted in major impact to businesses during the year ended 31 March 2021, especially in exhibition segment and the future is challenging and unpredictable in global business environment. The pandemic has put forward higher requirements for the Group to review and perform in terms of its future strategy planning. Despite the challenges currently facing, the PRC economy has shown stable growth momentum, supported by the sustainable development and continuous improvement in the macro economy. Under the containment policies in the PRC, the pandemic gradually got under control, the Directors of the Group are expecting the businesses to remain cautious and will take appropriate measures as and when it is necessary to minimise the financial impact, meanwhile to also look for potential investment opportunities which could strengthen the financial profitability for the Group.

The management team and the Board of Directors are made up of highly qualified and competent individuals who are experienced in the real estate development industry in PRC. The team possesses significant knowledge, resources and networks in China of which the Company expects to be able to leverage for its future growth in the property development, property sub-leasing and investment projects in the PRC.

The Group has continued its efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position and to meet its performance objectives. The Group is working towards attaining a sustainable growth whilst continuously exploring and diversifying other suitable investment opportunities (if any) to enhance the overall earning potential, and ultimately maximising the shareholder value.

Currency risk

The Group mainly operates in Hong Kong and the PRC with most of the transactions settled in their respective functional currencies in which the group entities operate. Therefore the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Set out below is the management discussion and analysis on the Target Company for the period from 6 January 2020 (date of establishment) to 31 March 2020 and for the financial year ended 31 March 2021:

CORPORATE INFORMATION

The Target Company was incorporated in the PRC as a limited liability company on 6 January 2020. Its registered office and its principal place of business is located at Room 101, no. 842, Zhenxing Avenue, Xiegang Town, Dongguan City, Guangdong Province, the PRC. The principal activity of the Target Company is property development in the PRC.

REVENUE

For the period from 6 January 2020 (date of establishment) to 31 March 2020 and for the financial year ended 31 March 2021, the Target Company had no revenue.

INCOME TAX EXPENSE

For the period from 11 July 2019 up to 31 March 2020 and for the year ended 31 March 2021, there was no income tax expense for the Target Group as there was no assessable profit.

PROFIT/LOSS FOR THE PERIOD/YEAR

For the period from 6 January 2020 (date of establishment) to 31 March 2020 and for the financial year ended 31 March 2021, the Target Company recorded loss for the period/year of RMB369,545 and RMB10,526,961 respectively, which were comprised of staff costs and other operating expenses.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 March 2020 and 31 March 2021, the paid-up capital of the Target Company is RMB10,000,000.

As at 31 March 2020, the Target Company did not have any outstanding bank borrowings and bank facilities; as at 31 March 2021, the Target Company had outstanding bank borrowings of RMB244,706,179.

During the period from 6 January 2020 (date of establishment) to 31 March 2020, an owner of the Target Company waived the amount due from the Target Company of RMB527,195,200 for repayment. This balance has accordingly deemed as part of capital contribution of the owner and transfer to capital reserve during the relevant periods. In March 2021, the immediate holding company of the Target Company, 東莞華創文實業開發有限公司（Dongguan Huachuangwen Industry Development Ltd.*）agreed with the 55% and 10% non-controlling owners of the Target Company to reduce the capital of the Target Company in total by RMB276,689,011 (the "**Capital Reduction**"). Upon completion of the Capital Reduction, the capital of the Target Company has reduced from RMB527,195,200 to RMB250,506,189. The Capital Reduction has be paid or payable to the owners of the Target Company in according to the shareholding percentage prior to the completion of the Capital Reduction. As at 31 March 2021, Capital Reduction of RMB27,668,901 and RMB96,841,154 were not yet paid to non-controlling owners and the immediate holding Company. The Target Company remained as a 35% subsidiary of the Company and the non-controlling owners remained the same shareholding of the Target Company completion of the Capital Reduction.

CHARGES ON ASSETS

As at 31 March 2020, the Target Company did not pledge any assets; as at 31 March 2021, the entire equity interest in the Target Company and properties under development of RMB643,220,934 have been pledged to secure the bank borrowings

LIQUIDITY AND GEARING RATIO

The capital structure of the Target Company consists of debts, which includes accounts payable, accruals and other payables, amounts due to the immediate holding company, amounts due to non-controlling shareholders, bank borrowings and lease liabilities and equity attributable to owners of the Target Company, comprising paid-in capital, capital reserve and accumulated losses. The Target Company's risk management reviews the capital structure on a semi-annual basis.

The net debt to equity ratio at the end of the relevant period is as follows:

	As at 31 March 2021 *RMB*	**As at 31 March 2020** *RMB*
Accounts payable	2,972,582	4,458,715
Accruals and other payables	2,510,407	21,614,931
Amounts due to the immediate holding company	121,841,154	—
Amounts due to non-controlling shareholders	27,668,901	—
Bank borrowings	244,706,179	—
Lease liabilities	100,313	293,570
Less: Cash and bank balances	(96,947,880)	(30,473,433)
Net debt/(cash)	302,851,656	(4,106,217)
Equity	249,609,683	536,825,655
Net debt to equity ratio	121%	N/A

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save and except the acquisition of the Dongguan Land, the Target Company had not made material acquisition and disposal of subsidiary and affiliated company for the period from 6 January 2020 (date of establishment) to 31 March 2020 and for the financial year ended 31 March 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The business scope of the Target Company includes property development and management. The Target Company intends to develop the Dongguan Land into residential and commercial properties for resale and/or rental purposes. The Target Company will seek bank loans in order to meet its financial obligation.

SIGNIFICANT INVESTMENTS HELD

Save and except the Dongguan Land, the Target Company had not made any significant investment for the period from 6 January 2020 (date of establishment) to 31 March 2020 and for the financial year ended 31 March 2021.

CONTINGENT LIABILITIES

As at 31 March 2020, the Target Group had no contingent liabilities; as at 31 March 2021, the Target Company had contingent liabilities of RMB115,639,676, being guarantees granted to financial institutions on behalf of purchasers of property units.

EXCHANGE RISK AND HEDGING

As the operations of the Target Group were principally in the PRC, the operations of the Target Company were not subject to significant exchange risk. Accordingly, no financial instruments for hedging purposes were used by the Target Company for the period from 6 January 2020 (date of establishment) to 31 March 2020 and for the financial year ended 31 March 2021.

STAFF AND REMUNERATION POLICIES

For the period from 6 January 2020 (date of establishment) to 31 March 2020, the staff costs of the Target Company amounted to RMB69,030; for the financial year ended 31 March 2021, the staff costs of the Target Company amounted to RMB3,079,428.

SEGMENT INFORMATION

The Target Company has identified its operating segment based on the regular internal financial information reported to the chief decision makers about allocation of resources to assess the performance of the Target Company's business.

The principal activity of the Target Company is engaged in property development in the PRC. The sole director considers that this is the only component for internal reporting to the chief decision makers and, accordingly, the only one operating segment under the requirements of HKFRS 8 "**Operating Segments**".

All the segment assets and liabilities are located in the PRC.

During the relevant period, there is no customer contributed 10% or more to the Target Company's revenue.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

Long positions in the ordinary shares of the Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Chen Weiwu	Beneficial owner	800,000,000	34.65%
	Interest of controlled corporation	579,806,977 *(Note)*	25.11%

Note: These Shares are owned by Grand Nice which is wholly and beneficially owned by Mr. Chen. By virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), Mr. Chen is deemed to be interested in an aggregate of 1,379,806,977 Shares, representing approximately 59.76% of the issued share capital of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, other than the interests of the Directors and chief executive of the Company disclosed in the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE" above, the following persons had interests or short position in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of the shareholding in the Company
Grand Nice International Limited ("**Grand Nice**") *(Note)*	Beneficial owner	579,806,977	25.11%

Note:

Grand Nice is wholly and beneficially owned by Mr. Chen Weiwu who is an Executive Director and the Chairman of the Company.

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL CONTRACTS

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

(a) The acquisition agreement entered into between Shenzhen Tangshang Industrial Park Management Co., Ltd., Shenzhen Jinqi Group Co., Ltd., Shenzhen Jinfan Investment Development Co., Ltd. ("**Shenzhen Jinfan**"), and Mr. Zeng PinLian on 21 May 2019 in relation to the sale and purchase of the 73% equity interest in Shenzhen Jinfan at the consideration of RMB40 million, details of which are set out in the announcement of the Company dated 21 May 2019;

(b) The sale and purchase agreement entered into between Great Regal Limited, Mr. Li Jiexin and 855 Crown Property Investment Co., Ltd. ("**855 Crown property**") on 5 September 2019 in relation to the sale and purchase of the 49% of the equity interest of 855 Crown Property at the consideration of US$1, details of which are set out in the announcement of the Company dated 5 September 2019;

(c) The guarantee agreement dated 3 September 2019 entered into by Nanjing Yinkun Investment Corporation in favour of Bank of Jiangsu in relation to the loan facility for the principal amount of up to RMB100,000,000 provided by Bank of Jiangsu to Nanjing Ruiyixiang Network Technology Co., Ltd., details of which are set out in the announcement of the Company dated 8 November 2019;

(d) The lease contracts dated 27 December 2019 entered into between Beijing Mingchuang Business Management Co., Ltd and Beijing Tian'an Innovation Technology and Estates Limited in relation to Block Nos. 15, 32, 38, 40, 41, 54, 62 and 63, Yard No. 109, Jinhai 3rd Road, Beijing Economic and Technology Development Zone, Daxing District, Beijing, The People's Republic of China, details of which are set out in the announcement of the Company dated 27 December 2019;

(e) The equity sale and purchase agreement dated 9 April 2020 entered into between the Company and Mr. Chen Weiwu in respect of the acquisition of the 10,000 shares of Topper Genius Investments Limited of US$1 each, representing 100% of its issued share capital, by the Company from Mr. Chen Weiwu, details of which are set out in the announcement of the Company dated 9 April 2020;

(f) the guarantee agreement dated 29 October 2020 entered into by Nanjing Yinkun in favour of Bank of Nanjing in relation to the loan facility for the principal amount of up to RMB40,000,000 provided by Bank of Nanjing to Nanjing Yinrui Wanjin Intelligent Technology Co., Ltd.* (南京垠瑞萬錦智能科技有限公司), details of which are set out in the announcement of the Company dated 29 October 2020;

(g) the conditional sale and purchase agreement dated 1 December 2020 and entered into between Boren Cultural and the Purchaser in relation to the Disposal, details of which are set out in the announcement of the Company dated 1 December 2020 and 8 December 2020;

(h) the lease contracts dated 11 December 2020 entered into by BTIT (as the lessor) and Beijing Mingchuang (as the lessee) in respect of Building Nos. 12, 27, 52, 53, 56, 58, 59, 60, 61, Rooms 101, 102, 108 and 110 on the first floor and the second floor of Building No. 69 in No. 109 Jinghaisanlu, Beijing Economic Technological Development Area, Beijing, details of which are set out in the announcement of the Company dated 11 December 2020; and

(i) the Equity Sale and Purchase Agreement.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, there were no litigation or claim of material importance that is known to the Directors to be pending or threatened against the Group.

6. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into a service agreement with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)

7. DIRECTORS INTEREST IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

8. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

Save as disclosed in the circular, as at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interests in any asset which have been since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or lease to any member of the Group; or (ii) any subsisting material interest in any contract or arrangement at the date of this circular which is significant in relation to the business of the Group.

9. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after due and careful enquiry and taking into account the existing bank balances and cash, internal resources, available credit facilities and the effect of the transactions, the Enlarged Group will have sufficient working capital for its present requirements for a period of 12 months from the date of this circular.

10. EXPERTS AND CONSENTS

(a) The following is the qualifications of the experts who have provided advice referred to or contained in this circular:

Name	**Qualification**
Rainbow Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong)
APAC Asset Valuation and Consulting Limited	Independent professional valuer
BDO Limited	Certified Public Accountants

(b) As at the Latest Practicable Date, the experts named above had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

(c) The experts named above have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters of advice and references to their names in the form and context in which the respectively appear.

(d) As at the Latest Practicable Date, the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021 (being the date to which the latest published audited financial statements of the Group were made up).

11. GENERAL

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

(b) The principal place of business of the Company in Hong Kong is located at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

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

(e) The company secretary of the Company is Kwong Oi Man Patty ("**Ms. Kwong**"). Ms. Kwong is a member of Hong Kong Institute of Certified Public Accountants.

(f) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong is located at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular up to and including the date following on fourteenth day from the date of this circular:

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

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

(c) the written consent of each of the experts referred to in the section headed "Experts and Consents" in this appendix;

(d) the annual reports of the Company for the three years ended 31 March 2019, 31 March 2020 and 31 March 2021;

(e) the letter from the Board as set out in this circular;

(f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 20 of this circular;

(g) the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 54 of this circular;

(h) the financial information of the Target Company, the text of which is set out in Appendix II to this circular;

(i) the report from BDO Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(j) the valuation report in relation to the property development project on the Dongguan Land, the text of which is set out in Appendix IV to this circular;

(k) the management discussion and analysis of the Group, the text of which is set out in Appendix V to this circular;

(l) the management discussion and analysis of the Target Company, the text of which is set out in Appendix VI to this circular;

(m) this circular.

CHINA TANGSHANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

NOTICE OF 2021 SECOND SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 second special general meeting (the "**Meeting**") of China Tangshang Holdings Limited (the "**Company**") will be held at Unit 1201, 12/F., 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 20 October 2021 at 3:00 p.m. to consider and, if thought fit, pass the following resolution (with or without modification) as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) the conditional Equity Sale and Purchase Agreement dated 30 July 2021 (the "**Agreement**") entered into between the Company as purchaser and Shenzhen Yaoling Investment Ltd.*（深圳市耀領投資有限公司）as the vendor (the "**Vendor**"), in relation to the acquisition of the 55% of the issued share capital of Dongguan Huachuangwen Land Ltd.*（東莞市華創文置地有限公司）at the consideration of RMB137,300,000 (or the equivalent Hong Kong Dollars), which shall be settled by the Company to the Vendor by way of (i) cash of RMB40,000,000, (ii) the issue and allotment of 450,000,000 consideration shares (each a "**Consideration Share**") at an issue price of HK$0.2 per Consideration Share and (iii) the issue of convertible bonds in the principal amount of HK$27,120,000 ("**Convertible Bonds**"), and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares and the Convertible Bonds), be and are hereby approved, confirmed and ratified;

(b) the allotment and issue of the Consideration Shares and Convertible Bonds by the Company to the Vendor to settle part of the consideration payable by the Company in accordance with the terms and conditions of the Agreement and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(c) the board of directors of the Company (the "**Directors**") be and is hereby granted a specific mandate to allot and issue of (i) the Consideration Shares and (ii) the new share(s) which may be issued upon exercise of the conversion right attaching to the Convertible Bonds, in accordance with the terms and conditions of the Agreement; and

(d) any Director be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things, as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Agreement and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

By Order of the Board
China Tangshang Holdings Limited
Chen Weiwu
Chairman

Hong Kong, 30 September 2021

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 1201, 12/F.,
29 Austin Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Notes:

(i) For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from Monday, 18 October 2021 to Wednesday, 20 October 2021 (both days inclusive), during which no transfer of the Shares will be effected. In order to qualify for attending the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 15 October 2021.

(ii) A member entitled to attend and vote at the Meeting is entitled to appoint one proxy or, if he/she/it is a holder of two or more Shares may appoint more than one proxy to attend and vote instead of him/her/it. A proxy needs not be a member of the Company.

(iii) Where there are joint holders of any Share, any one of such joint holder may vote at the Meeting, either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(iv) To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

(v) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof if he/she/it so desires. If a member of the Company attends the Meeting after having deposited the form of proxy, his/her/its form of proxy will be deemed to have been revoked.

(vi) If Typhoon Signal No.8 or above, or a "black" rainstorm warning is in effect any time after 11:00 a.m. on the date of the Meeting, the Meeting will be adjourned. The Company will post an announcement on the website of the Company at http://www.ts674.com 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.

(vii) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolution set out in this Notice will be decided by poll at the meeting.

As at the date of this notice, the executive Directors are, Mr. Chen Weiwu (Chairman), Mr. Zhou Houjie and Mr. Jiang Ruowenhao; and the independent non-executive Directors are Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin.