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

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

**If you have sold or transferred** all your shares in **New Silkroad Culturaltainment Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



新絲路文旅有限公司
NEW SILKROAD CULTURALTAINMENT LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 472)**

# (I) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE HOLDING COMPANY OF A PROPERTY MANAGEMENT GROUP; AND (II) NOTICE OF SGM

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

红日资本有限公司
RED SUN CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 26 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 28 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 29 to 58 of this circular.

A notice convening the SGM to be held at Conference Room, 8/F., Macrolink Group Building, Government Ave, Taihu Town, Tongzhou District, Beijing, the PRC on Tuesday, 11 April 2023 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, being not less than 48 hours before the time appointed for 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 should you so wish.

*All times and dates specified in this circular refers to Hong Kong local times and dates.*

22 March 2023

# CONTENT

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

| | |
|---|---|
| "Acquisition" | the proposed acquisition of the Sale Interest by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement |
| "Acquisition Agreement" | the conditional sale and purchase agreement dated 4 January 2023 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| "Announcement" | the announcement of the Company dated 4 January 2023 in relation to the Acquisition |
| "associate(s)" | has the same meaning ascribed thereto under the Listing Rules |
| "Board" | the board of Directors |
| "Business Day" | a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| "Company" | New Silkroad Culturaltainment Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange |
| "Completion" | completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement |
| "Completion Date" | a day within five Business Days after the fulfilment or waiver of all the conditions precedent to the Acquisition |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "controlling shareholder" | has the meaning ascribed thereto under the Listing Rules |
| "Director(s)" | director(s) of the Company |
| "Enlarged Group" | the Group as enlarged by the proposed Acquisition immediately after Completion |

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|---|---|
| "Glorious Hill" | certain land lots located at Hallim Eup, Kumak Lisan, Jejusi, Jejudo region of South Korea with a total area of approximately 1,305,641 square meters purchased by the Group with the aim to develop them into and operate them as a large integrated tourist resort complex including hotel, real estate, entertainment, healthcare, recreation playgrounds, golf courses etc. |
| "Group" | the Company and its subsidiaries |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. Tse Kwong Hon and Mr. Cao Kuangyu, which has been established by the Board for the purpose of advising the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder |
| "Independent Financial Adviser" | Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition Agreement and the transactions contemplated thereunder |
| "Independent Shareholders" | Shareholders other than (i) Macro-Link International Land, Macro-Link International Investment and their respective associates; and (ii) any Shareholders who are interested or have a material interest in the Acquisition Agreement, who shall be required under the Listing Rules to abstain from voting on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the SGM |
| "Independent Valuer" | Vincorn Consulting and Appraisal Limited, an independent valuer engaged by the Company to conduct a valuation on the Sale Interest |
| "Latest Practicable Date" | 17 March 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |

| | |
|---|---|
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Long Stop Date" | 21 June 2023 (or such other date as the parties to the Acquisition Agreement may agree from time to time) |
| "Macro-Link International Investment" | MACRO-LINK International Investment Co, Ltd., a company incorporated in the British Virgin Islands with limited liability which is interested in 6.73% of the issued share capital of the Company |
| "Macro-Link International Land" | Macro-Link International Land Limited, a company incorporated in Hong Kong with limited liability which is wholly-owned by Macrolink Culturaltainment Development Co., Ltd. (which is a company whose issued shares are listed on the Shenzhen Stock Exchange under stock code: 000620), being the controlling shareholder of the Company |
| "Macrolink Australia" | Macrolink Australia Investment Limited, a company incorporated in the British Virgin Islands with limited liability |
| "PRC" | the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "Project" | the development of a property development site located at 71 Macquarie Street, Sydney, Australia into a 20-storey mixed use building composed of luxury residential units and premium retail premises and the sale of such residential units and retail premises |
| "Purchaser" | 四川絲路數據科技有限公司 (Sichuan Silkroad Data Technology Company Limited#), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company |
| "Sale Interest" | 100% of the equity interest in the Target Company |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SGM" | the special general meeting of the Company to be convened and held at Conference Room, 8/F., Macrolink Group Building, Government Ave, Taihu Town, Tongzhou District, Beijing, the PRC on Tuesday, 11 April 2023 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder |

| | |
|---|---|
| "Share(s)" | ordinary share(s) of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Target Company" | 北京潮來潮往文化傳媒有限公司 (Beijing Chaolaichaowang Culture Media Company Limited#), a company established under the laws of the PRC and wholly owned by the Vendor |
| "Target Group" | the Target Company and its subsidiaries |
| "Vendor" | 北京運河長基投資有限公司 (Beijing Yunhe Zhangji Investment Limited#), a company established under the laws of the PRC and wholly-owned by 北京新華聯置地有限公司 (Beijing Macro-Link International Land Limited#), which is in turn wholly-owned by Macrolink Culturaltainment Development Co., Ltd., the sole shareholder of the controlling shareholder of the Company |
| "Wealth Venture" | Wealth Venture Asia Limited, a company incorporated in the British Virgin Islands with limited liability which is a direct wholly-owned subsidiary of the Company |
| "Yuehao Property Management" | a brand name operating property management business in the PRC |
| "AUD" | Australian dollars, the lawful currency of Australia |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "RMB", "CNY" | Renminbi or Chinese Yuan, the lawful currency of the PRC |
| "%" | per cent. |

*The English names of entities marked with "#"in this circular are not the official names and are translated for identification purpose only.*

*The exchange rate of RMB1.00 to HK$1.13 is used in this circular for illustration purpose only. No representation is made that any amounts in HK$ or RMB could be converted at such rate or any other rates.*

新絲路文旅有限公司
**NEW SILKROAD CULTURALTAINMENT LIMITED**

*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 472)**

*Executive Directors:*
Mr. Ma Chenshan
Mr. Zhang Jian
Mr. Hang Guanyu
Mr. Liu Huaming

*Independent non-executive Directors:*
Mr. Ting Leung Huel, Stephen
Mr. Tse Kwong Hon
Mr. Cao Kuangyu

*Registered Office:*
Clarendon House 2
Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business in Hong Kong:*
15/F., COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

22 March 2023

*To the Shareholders*

Dear Sir or Madam,

## MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE HOLDING COMPANY OF A PROPERTY MANAGEMENT GROUP

### INTRODUCTION

References are made to the Announcement in relation to the Acquisition Agreement.

The purpose of this circular is to provide you with, amongst others, (i) further details regarding the Acquisition Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out their advice in relation to the Acquisition Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement; (iv) a summary of the valuation report on the Sale Interest; and (v) a notice convening the SGM.

As disclosed in the Announcement, on 21 December 2022, the Purchaser and the Vendor entered into a non-legally binding letter of intent in relation to the potential acquisition of the Target Company by the Purchaser from the Vendor. On 4 January 2023, the Purchaser, as purchaser, entered into the Acquisition Agreement with the Vendor, a connected person of the Company, as vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest, representing 100% of the equity interest of the Target Company, at the total consideration of RMB430,000,000 (equivalent to approximately HK$485,900,000).

The principal terms of the Acquisition Agreement are set out below:

## THE ACQUISITION AGREEMENT

### Date

4 January 2023

### Parties

(i) The Vendor as vendor

(ii) The Purchaser as purchaser

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor, being a company principally engaged in project investment, is wholly-owned by Beijing Macro-Link International Land Limited, which is in turn wholly-owned by Macrolink Culturaltainment Development Co., Ltd., a company listed on the Shenzhen Stock Exchange with stock code: SZ000620 which wholly owns Macro-Link International Land, a controlling shareholder of the Company holding approximately 54.79% of the issued share capital of the Company as at the Latest Practicable Date. As such, Macro-Link International Land is a connected person of the Company within the meaning of the Listing Rules. The Target Company was sold by the Vendor to the Group and the acquisition cost of the Vendor was RMB430 million (equivalent to approximately HK$486 million).

Macrolink Culturaltainment Development Co., Ltd. is a property developer. It is a large-scale property developer with successful experience in developing high-end residential apartments, low-density ecological towns, Class-A office buildings, five-star hotels, commercial streets, large-scale commercial complexes and cultural tourist properties etc.

### Assets to be acquired

Pursuant to the terms and conditions of the Acquisition Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interest, representing 100% of the equity interest of the Target Company as at the Latest Practicable Date.

**Consideration**

The total consideration for the Acquisition is RMB430,000,000 (equivalent to approximately HK$485,900,000), which shall be satisfied by the Purchaser to the Vendor in the following manner:

(i) RMB80,000,000 shall be payable by the Purchaser to the Vendor in cash at the signing of the Acquisition Agreement as refundable deposit (the "**Deposit**"), subject to the deduction of the earnest money already paid by the Purchaser to the Vendor in the amount of RMB12,000,000 for partial settlement of the consideration, by telegraphic transfer or in such manner as agreed by the Vendor and the Purchaser;

(ii) RMB65,511,224.84 shall be settled by the Purchaser by way of assumption of debt due by the Vendor and its associates to the Target Group (which comprise primarily outstanding property management fees) at the Completion; and

(iii) RMB284,488,775.16 shall be payable by the Purchaser to the Vendor in cash upon completion of the registration of the transfer of the Sale Interest with the relevant government authority in the PRC, by telegraphic transfer or in such manner as agreed by the Vendor and the Purchaser.

On 21 December 2022, the Purchaser and the Vendor entered into a non-legally binding letter of intent in relation to the potential acquisition of the Target Company by the Purchaser, the details of which are disclosed in the announcement of the Company dated 21 December 2022. Pursuant to the letter of intent, earnest money in the amount of RMB12,000,000 (equivalent to approximately HK$13,560,000) (the "**Earnest Money**") was paid by the Purchaser to the Vendor, which shall be applied for the partial settlement of the total consideration at the signing of the Acquisition Agreement. In the event that the Acquisition does not proceed to Completion, the Deposit (including the Earnest Money) shall be returned in full (without interest) by the Vendor to the Purchaser. As security for the Deposit, the Purchaser shall have the right to request the Vendor to transfer the Sale Interest to be registered in the name of the Purchaser and to keep such registration document(s) at a place mutually agreed between the parties.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, including without limitation, the net profit of the Target Company recorded in its management accounts as at 30 June 2022, and relevant market adjustments, such as price-to-earnings ratio, etc., the valuation of the entire equity interests in the Target Company of not less than RMB430 million as at 31 December 2022 carried out by the Independent Valuer, using the comparable transaction method under market approach, and the reasons for the Acquisition as disclosed in the paragraph headed "Reasons for and the benefits of the Acquisition" in this letter from the Board.

For details of the valuation carried out by the Independent Valuer, including the methodology of, and the bases and assumptions adopted for the valuation on the Sale Interest, and the calculation basis and source of information, please refer to Appendix VI to this circular.

The Directors have reviewed the experience and qualification of the Independent Valuer and considered that the Independent Valuer has sufficient experience and qualification to perform the valuation of Target Company. Taking into account the valuation method and the principal assumptions and parameters adopted, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) considered the valuation (including the valuation methodology, basis and assumptions) of the Target Company and the comparables adopted are fair and reasonable for the following reasons:

(i) both the asset-based approach and income approach were considered inappropriate to the valuation of the Target Company as at 31 December 2022 as (i) the asset-based approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition and disregards the future profit potentials of the Target Company; and (ii) the income approach values assets with reference to the capitalised value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owing the assets, involves financial forecast information and adoption of more assumptions that may not be easily justified or ascertained. As such, the market approach, which values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions, the derived multiples based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity and derive an indication of value, is considered to be the most appropriate approach for the valuation of the Target Company;

(ii) the key assumptions adopted in the valuation of the Target Company (which included (i) no material change in the existing political, taxation, legal, technological, fiscal or economic conditions; (ii) no material change to the conditions in which the Target Company is operated, and which are material to revenue and costs of the businesses of the Target Company; (iii) preparation of information on a reasonable basis after due and careful consideration by the Target Company; (iv) competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Target Company; (v) all licenses and permits that is essential for the operation of the Target Company can be obtained and are renewable upon expiry; and (vi) no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value) are commonly adopted in valuation of similar companies in the market which considered by the Directors as appropriate and necessary;

(iii) price-to-earnings ratio ("**P/E Ratio**"), which is a common valuation method for the assessment of companies' value with profitable businesses, is the most appropriate parameter as indicator for the Target Company's ability to generate revenue and its profitability, as compared to the parameter of (i) price-to-book ratio, which is considered inappropriate for the valuation since the Target Company is not a solely asset holding company and has its value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities; and (ii) price-to-sales ratio, which is considered inappropriate for the valuation since sales revenue does not consider the cost structure and profitability of the Target Company which are considered primary factors affecting the value of a company of the same kind, as asset-light companies such as the Target Company generally do not rely on a significant amount of fixed assets and equipment during its operation and should be assessed based on its ability to generate future income. The Independent Valuer has also taken into account the impact of the difference in market capitalization between the Target Company and the comparable companies in the market by adopting the size premium in adjusting the P/E ratio, details of which are set out in Appendix VI to this circular; and

(iv) the Directors have reviewed and discussed with the Independent Valuer on the criteria for selecting the comparable companies, which were selected with reference to the following selection criteria: (i) the companies are listed on the Main Board of the Stock Exchange as at the date of the acquisition, excluding listed companies which are being suspended for more than three months as at the date of the acquisition; (ii) the companies have a significant proportion of over 50% or the largest proportion of their total revenue from property management segment for its latest financial year; and (iii) the companies have a significant proportion of their total revenue mainly generated from the PRC. Taking into account the selection criteria, the characteristics of the comparable companies, and the number of comparable companies selected, and the common statistical approach taken by the Independent Valuer to exclude outliers with extreme figures which may skew the results and make adjustments as necessary and appropriate based on the differences in characteristics, the Directors consider the comparable companies are appropriate in providing a general reference for the recent market practice in relation to the P/E Ratio, and are fair and reasonable for the purpose of the valuation of Target Company.

The Board understands from the Independent Valuer that the above methodology, basis and assumptions in valuing the Target Company are commonly used for similar valuation and in compliance with the relevant valuation handbook and guidelines. Based on the discussion with the Independent Valuer, the Board has not identified any major factors which would cause it to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at the valuation.

In view of the above factors considered by the Directors in their assessment of the valuation carried out by the Independent Valuer, the Directors considered that the valuation of the Target Company, including the valuation method, key assumptions and parameters adopted in the valuation of Target Company, the comparables and the related statistical and size adjustments are fair and reasonable. Further, as the Target Company is an asset-light company that generally does not rely on a significant amount of fixed assets and equipment during its operation, the Directors are of the view that a comparison of the consideration against the net asset value of the Target Company would not be an appropriate indicator for the value of the Sale Interest, as opposed to the profitability of the Target Company which is a primary indicator affecting its valuation and the fairness and reasonableness of the consideration.

**Conditions precedent to the Acquisition Agreement**

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

(i) the results of the due diligence to be conducted by the Purchaser on the Target Group being satisfactory to the Purchaser;

(ii) the passing of the relevant resolution(s) by the Independent Shareholders at the SGM approving the Acquisition Agreement and the transactions contemplated thereunder;

(iii) the receipt by the Purchaser of all the corporate and registration records on the Target Group and the Acquisition Agreement;

(iv) the warranties given by the Vendor under the Acquisition Agreement remaining true, accurate and complete in all material respects;

(v) all necessary consents, licences and approvals required to be obtained on the part of the Vendor in respect of the Acquisition Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;

(vi) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;

(vii) the distribution of dividend by the Target Group in the amount of RMB220 million, subject to the maximum amount as permitted under the applicable laws and regulations; and

(viii) there being no material adverse impact of RMB20,000,000 or more on the Target Company or any of its subsidiaries or their overall business operation, financial condition, results, assets or liabilities from the date of the Acquisition Agreement up to Completion.

The Purchaser may at its absolute discretion at any time waive in writing the condition set out in (i), (iii), (iv) or (viii) above (to the extent it is capable of being waived) subject to such terms and conditions as may be determined by the Purchaser. Conditions set out in (ii), (v) and (vi) above are incapable of being waived. If any of the conditions mentioned above has not been fulfilled or waived on or before the Long Stop Date, or such later date as the Purchaser and the Vendor may agree in writing, the Acquisition Agreement shall cease and determine and save for any antecedent breach, neither party shall have any obligations and liabilities towards each other.

The condition set out in (vii) above was agreed by the parties to the Acquisition Agreement as such amount represented the historical operating results generated by the Target Group prior to the Completion and it is not uncommon for the retained profits of a company to be distributed to the owners prior to a disposal as pre-acquisition profits. The distribution of dividend contemplated under this condition has been taken into account by the Company when determining the consideration. When assessing the valuation, the Board has considered this commercial term and that the determining factor of the consideration should be the earning potential of the Target Group and not the pre-acquisition profits, which are not relied upon by the Target Group in sustaining its operations. The Board has assessed and considered that such pre-acquisition profits, being non-operating assets under the dividend distribution are unrelated to the ongoing business operation and earnings ability or potential of the Target Group and is of the view that the dividend distribution of RMB220 million would have no material impact on the results of the valuation. The reasons why the distribution was expected to be made on or before Completion instead of prior to the entering into of the Acquisition Agreement was due to the time required to comply with all relevant laws and regulations, which involve the preparation of local audit reports and the obtaining of relevant internal approval and authorisation by the relevant subsidiaries of the Target Company, as well as to provide protection to the Company by not completing the distribution prior to the completion of the due diligence process of the Target Group by the Company set out in (i) above, as the due diligence procedure would provide the Company with a more comprehensive picture of the Target Group for assessment of the distribution of dividend in terms of the level of retained earnings for distribution, alongside the due compliance of the aforementioned internal and external procedures for the distribution of dividend. The distribution of dividend is not expected to have any material adverse effect on the due diligence work of the Company.

The condition set out in (viii) refers to material adverse impact of RMB20 million or more on the Target Company. Such monetary threshold was determined with reference to the valuation of the Sale Interest, as such amount represents approximately 4% of the value of the Sale Interest, which is within the range of common threshold for determining materiality from an accounting perspective. Such threshold also approximates the maximum insurance coverage of the Group. As at the Latest Practicable Date, there has been no material change in the Target Group since the date of the Acquisition Agreement.

As at the Latest Practicable Date, none of the above conditions have been satisfied.

**Completion**

Upon compliance with or fulfillment (or waiver) of all the conditions precedent as stated above, the Completion shall take place on the Completion Date.

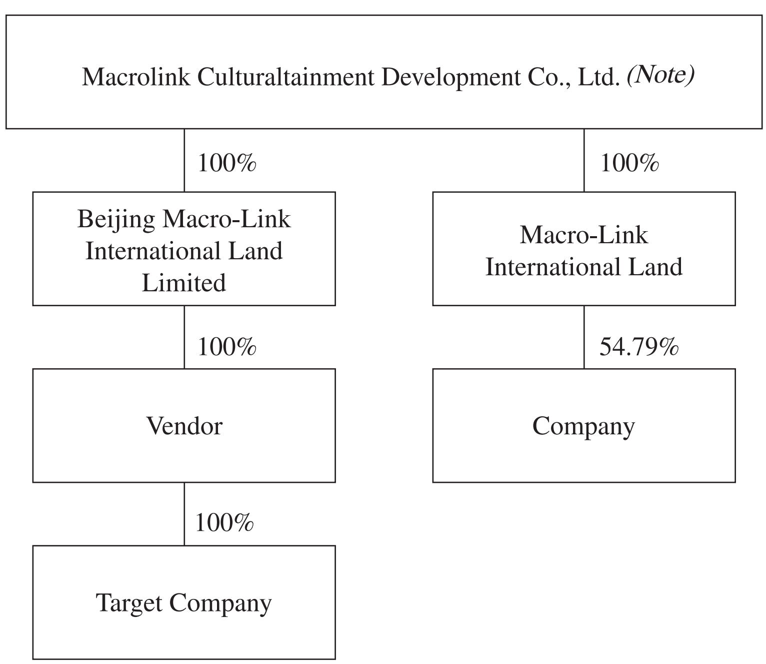
**Potential continuing connected transactions upon Completion**

As at the Latest Practicable Date, there are about 31 existing services agreements entered into between the Target Group and the Vendor and/or its associates for the provision of property management services by the Target Group to the Vendor and/or its associates for properties owned by the Vendor and/or its associates, which are expected to continue following the Completion. 14 of the existing services agreements are temporary contracts for provision of property management services in relation to sales centers of property currently on sale and the other 17 existing services agreements are for provision of property management services in relation to offices, cultural tourism projects and residential cum commercial properties. The transactions contemplated under such existing services agreements will constitute continuing connected transactions of the Group upon the Completion and the Company will comply with the applicable requirements under the Listing Rules and make an announcement for such transactions as and when appropriate.

## INFORMATION ON THE TARGET GROUP

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Target Company is a company incorporated under the laws of the PRC principally engaged in investment holding, and its subsidiaries are principally engaged in property management in the PRC under the brand "Yuehao Property Management（悅豪物業管理）" as at the Latest Practicable Date. As at the Latest Practicable Date, the Target Company has 14 subsidiaries, all being wholly-owned companies established under the laws of the PRC.

The shareholding structure of the Target Company as at the Latest Practicable Date is set out below:



*Note:* Macrolink Culturaltainment Development Co., Ltd. is a company listed on the Shenzhen Stock Exchange with stock code: SZ000620 which wholly owns Macro-Link International Land, a controlling shareholder of the Company holding approximately 54.79% of the issued share capital of the Company as at the Latest Practicable Date. Macrolink Culturaltainment Development Co., Ltd. is owned as to approximately 61.17% by Macro-Link Holding Company Limited as at the Latest Practicable Date, which is in turn owned as to approximately 93.40% by Cheung Shek Investment Company Limited, as to approximately 2.83% by Mr. Fu Kwan, as to approximately 0.11% by Ms. Xiao Wenhui and as to the remaining 3.66% by four individuals. Cheung Shek Investment Company Limited is owned as to approximately 59.76% by Mr. Fu Kwan, as to approximately 33.46% by Ms. Xiao Wenhui and as to the remaining 6.78% by two individuals.

Cheung Shek Investment Company Limited was established in the PRC in 2006 and its principal business scope involves investment and investment management (excluding financial and brokerage business; public trading of securities investment products or financial derivative products is not allowed; financial products, wealth management products and related derivative businesses are not allowed). Mr. Fu Kwan and Ms. Xiao Wenhui are the ultimate beneficial owners of Macro-Link Holding Company Limited and its subsidiaries (the "**Macrolink Group**"). Mr. Fu Kwan is currently the Chairman and President of the Macrolink Group. Since April 2007, Ms. Xiao Wenhui has served as the vice president and senior vice president of Macro-Link Holding Company Limited, the holding company of the Macrolink Group. Since January 2015, she has also served as the director of the human resources department of Macro-Link Holding Company Limited. Since May 2015, she has been a director of Macro-Link Holding Company Limited.

The brand "Yuehao Property Management（悅豪物業管理）" has over 22 years of history and 北京悅豪物業管理有限公司 (Beijing Yuehao Property Management Co., Ltd.#), being the principal operating subsidiary and holding company of all other subsidiaries of the Target Company, has the national first-class property management qualification#（國家一級物業管理資質）, and is a member of China Property Management Association#（中國物業管理協會會員）and a council member of Beijing Property Management Association#（北京物業管理協會理事會員單位）. As at the Latest Practicable Date, the property management business of the Target Group spans across different cities and regions of the PRC, with a total of 49 property management projects, which cover a total of 128 managing zones which are more particularly categorised below, and may be further broken down into different types of properties within the different managing zones such as large-scale residential quarters, high-end apartments, villas, industrial parks, commercial plazas, and other properties related to cultural tourism and urban service management. A property management project commonly involves different managing zones depending on the different nature and phrases of development of, as well as demand and needs of the community.

As at the Latest Practicable Date, the property management business of the Target Group spans across different cities of the PRC, with a total property management area over 10.24 million square meters of gross floor area, involving large-scale residential quarters, high-end apartments, villas, industrial parks, commercial plazas, and other properties related to cultural tourism and urban service management, a summary of which is as follows:

| Location in the PRC | Number of managing zones by nature in property projects managed by the Target Group | Approximately gross floor area (nearly 10,000 square meters) |
|---|---|---|
| Beijing（北京） | 72 | 294.72 |
| Hunan（湖南） | 13 | 153.38 |
| Anhui（安徽） | 10 | 93.63 |
| Qinghai（青海） | 7 | 91.50 |
| Ningxia（寧夏） | 5 | 91.40 |
| Shanghai（上海） | 5 | 39.76 |
| Tianjin（天津） | 4 | 26.53 |
| Guangdong（廣東） | 4 | 80.89 |
| Hubei（湖北） | 3 | 60.28 |
| Inner Mongolia（內蒙） | 2 | 50.30 |
| Jiangsu（江蘇） | 2 | 15.93 |
| Changchun（長春） | 1 | 26.12 |
| **Total** | **128** | **1024.47** |

| Number of managing zones by nature in the projects | | As at the Latest Practicable Date |
|---|---|---|
| Residential | private segment: 98 | 40 |
| Commercial | | 34 |
| Office | | 9 |
| Industrial Park | | 1 |
| Sales Centre | | 14 |
| School | public segment: 30 | 3 |
| Government & Convention | | 26 |
| Residential cum Commercial | | 1 |
| **Total** | | 128 |

## FINANCIAL INFORMATION OF THE TARGET COMPANY

The financial information extracted from the audited consolidated financial statements of the Target Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the relevant periods is set out below:

| | **For the year ended 31 December 2020** *(RMB'000)* (audited) | **For the year ended 31 December 2021** *(RMB'000)* (audited) | **For the year ended 31 December 2022** *(RMB'000)* (audited) |
|---|---|---|---|
| Revenue | 320,700 | 388,462 | 369,954 |
| Profit before tax | 47,063 | 64,149 | 61,642 |
| Profit after tax | 35,305 | 49,356 | 52,623 |

| | **At 31 December 2020** *(RMB'000)* (audited) | **At 31 December 2021** *(RMB'000)* (audited) | **At 31 December 2022** *(RMB'000)* (audited) |
|---|---|---|---|
| Net assets | 150,624 | 199,980 | 252,603 |

## REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Group is principally engaged in the (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate and commercial property in Australia; (iii) production and distribution of wine in the PRC; and (iv) operation of entertainment business in South Korea. Currently, the Group carries out property development and operation business of integrated resort and cultural tourism in South Korea through the Glorious Hill Project in Jeju, South Korea and of real estate and commercial property in Australia through the Opera Residence, the development project of the Group in Sydney, Australia, the commercial leasing management of the boutique commercial mall in Sydney, Australia whereby a total of 4 tenants of the boutique commercial mall pay to the Group rental income. Property development and operation business has long been part of the principal businesses of the Group and the Company has been exploring the further expansion of its property-related business into property management in the PRC.

As disclosed in the announcement of the Company dated 21 December 2022, the Board believes that the Group should take advantage of the Group's current sufficient funds and sustainable sources of funds, as well as the proactive easing of the COVID-19 epidemic policy in the PRC beginning in mid-December 2022, and the State Council of China's Strategic Planning – "Outline of Strategic Planning for Expanding Domestic Demand (2022-2035)" issued on 15 December 2022 in which it is mentioned that the PRC government will "improve the quality level of community public services; build a community service system that combines public services, convenience and benefit services, and voluntary mutual assistance services; enhance community service functions; guide social forces to participate in community services; induce the social power and social supply chain to continue to improve the quality of community services; improve the level of intelligence in community services; support the integration and innovation of housekeeping, elderly care, childcare, property and other business services and; improve the ability and level of community epidemic prevention and control."

The Acquisition would provide the Company with an opportunity to expand its property-related businesses into property management in the PRC under an established brand name. The Target Group has over 22 years of history and experience in the field of property management in the PRC, with a focus on Tongzhou District in Beijing City, the PRC, and the Acquisition would enable the Company to take advantage of the existing network and relationships of the Target Group, as well as the experienced and knowledgeable staff and management and relevant licences and approvals to seamlessly continue the existing business operations of the Target Group, which have been performing outstandingly over the past years and are expected to continue to generate promising growth and results to the Group after the Completion through the stable stream of property management fee income.

The three main reasons for the potential promising growth of the Target Group are as follows: (i) firstly, the economy in the PRC is expected to gradually further recover from the impact of the pandemic mentioned in the above paragraph; (ii) secondly, the growth of the government segment (which includes government conference centre, sub-district office, armed forces project bases, district people's procuratorate, town services centres, town government buildings, etc., being projects which are sourced from the government offices, mainly from the Tongzhou District of Beijing City) of the Target Group will be substantially larger in the next three years as it is expected that the Phase II of the "Beijing Municipal Administrative Center Project"# in Tongzhou District would be delivered for use gradually after consolidation in the year 2023 (http://bj.people.com.cn/BIG5/n2/2023/0105/c14540-40254732.html). Given that the Target Group is one of the major property management providers in Tongzhou District, there would be a higher applied growth rate in its business forecast subject to there being no material change to the overall economic landscape and regulatory framework of the industry in the PRC, as the Target Group has entered into property management agreements or arrangements with the local government of Tongzhou in the second half of 2022 (including the projects in Tongzhou Canal Business Park (通州運河商務園), Beijing Social Security and Employment Service Center for the Disabled (北京市殘疾人社會保障和就業服務中心) and a funeral home in Xiangcheng District, Suzhou City), and the Target Group has been negotiating with the government for new projects which may potentially be added to the property management portfolio of the Target Group; (iii) lastly, the business development of Macrolink Culturaltainment Development Co., Ltd. (which is the holding company of Macro-Link International Land and the controlling shareholder of the Group) is developing in an asset-light manner in the future and it is expected that the property management service of its new projects would be preferentially sourced to the Target Group, likewise the existing three theme parks of Macrolink Culturaltainment Development Co., Ltd. and/or its associates in Hunan, Anhui and Qinghai provinces of PRC. Hence, the businesses of the Target Group would maintain consistent performance in the near future, allowing the Group to reap the returns for the Company and its Shareholders as a whole.

As set out in the paragraph headed "III. WORKING CAPITAL STATEMENT" in Appendix I to this circular, the Group has sufficient funding as at the Latest Practicable Date to satisfy its working capital needs for at least the next twelve months commencing from the date of this circular. As the Target Group has a strong operating cash flow-in before movement in working capital as per note 30 in the Accountant's report on the Target Group, it is expected that the Target Group would be able to sustain its own cash sufficiency for its future development. Hence, there would be no additional or immediate pressure on the other main businesses (i.e. winery in the PRC and entertainment & resort development South Korea) of the Group. This would allow the other main businesses of the Group to slowly recover and, if necessary, allow more time for the Directors to consider any restructuring plan as appropriate. The business model of the Group involves the generation of revenue through its investments in different segments by way of (i) the leasing of golf land and the hotel erected on the Glorious Hill land lots (which were already existing at the time of acquisition of Glorious Hill by the Group in 2015) in South Korea and the payment of rental income since 2019; (ii) the sale of residential and commercial property developed by the Group in Australia and the leasing of commercial property prior to the sale of such property and the payment of rental fee income; (iii) the manufacture and sale of wine in the PRC and the related sales income; and (iv) the tourism income from its entertainment business in South Korea (which has been halted due to COVID and regulatory matters). As at the Latest Practicable Date, the Company has the following development plans for its existing businesses: (i) maintain the development and operation of integrated resort and cultural tourism in South Korea, and continue to seek financing, funding channels and business partners as appropriate; (ii) continue to promote and facilitate the sale of the remaining 4 residential apartments and the 980-square-meter boutique shopping mall in Australia; (iii) maintain the production and distribution of wine in the PRC and adjust its production mix and distribution channels as appropriate depending on the recovery of domestic demand in the PRC, with the aim to increase the revenue of the Group; and (iv) continue to cooperate and comply with the local government's epidemic prevention work with the aim of maintaining and developing the operation of entertainment business of the Group in South Korea, and seek opportunities for divestment through intermediates or agent, where appropriate. Save for the possible divestment of its Korea entertainment business, the Company has no intention to downsize, dispose of or cease any of its existing business operations.

As discussed in the section headed "Industry Overview", the property management industry in the PRC is a stable business engaged in the "dual circulation" of economic cycles of China in the future. The business of Target Group has a relative strong public segment (School, Government & Convention and Residential cum Commercial) of property managing zones, as disclosed with 30 managing zones out of the total 128, which is aligned with the focus in the Community Public Services in the State Council of China's Strategic Planning mentioned above.

Currently, three executive Directors namely Mr. Ma Chenshan, Mr. Hang Guanyu and Mr. Liu Huaming, have also been heavily involved in the top-level strategic management of Macrolink Culturaltainment Development Co., Ltd. (the ultimate holding company of the Target Group) for the past 2 years. Mr. Hang Guanyu and Mr. Liu Huaming have also been the directors and/or supervisory president of the major holding and operating subsidiary of the Target Group for the past 4 years. Hence, there are Directors in the Board who possess in-depth & professional knowledge, and the necessary experience and the expertise to continue the effective control and management on the Target Group after Completion.

After the Completion, the Group plans to expand the property management business of the Target Group in accordance with the existing business development plans of the Target Group, which included (i) strategically expanding the property management business in regions with strong potential such as the Beijing-Tianjin-Hebei region and the East China and Central South regions with the aim to increase the market share of the Target Group; (ii) diversifying the types of properties to be managed by the Target Group in addition to the existing types of properties currently under the property management of the Target Group as more particularly set out in the section headed "Information of the Target Group" in this letter from the Board; (iii) expanding external project portfolio through strategic cooperation and investments as well as through bidding; (iv) exploring and researching on the potential of the provision of value-added services in connection with the property management business in order to broaden the scope of services of the Target Group, establishing a replicable business model, and promoting the increase of diversified income; (v) utilising and improving the existing use of information technology to optimise the effectiveness and efficiency of the business model and operations of the Target Group and to promote the community development of the projects under management; (vi) continuing to attract, recruit, train and retain talents to support the business growth of the Target Group.

According to the valuation report of the Independent Valuer, as at the valuation date of 31 December 2022, the fair value of the Sale Interest using market approach is not less than the consideration of RMB 430 million under the Acquisition Agreement.

The terms of the Acquisition Agreement were determined after arm's length negotiations between the parties thereto and the Directors (save for the independent non-executive Directors whose view are set out in the "Letter from the Independent Board Committee" in this circular after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

All executive Directors, i.e. Mr. Ma Chenshan, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming, who are also the directors or the associates of Macro-Link International Land and/or Macrolink Culturaltainment Development Co., Ltd. (which is the holding company of Macro-Link International Land), have abstained from voting at the Board meeting approving the Acquisition Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Acquisition Agreement and none of them is required to abstain, or has abstained, from voting on the relevant board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder.

**INDUSTRY OVERVIEW**

When the first domestic property management company in the PRC was founded in the Shenzhen Special Economic Zone in 1981, the property management industry first emerged and began to develop across the PRC. Following the official promulgation of the Provisions on Property Management (「物業管理條例」) in 2003, Property Law of People's Republic of China (「中華人民共和國物權法 」) in 2007 and Notice by the Ministry of Housing and Urban-rural Development and Other Departments of Strengthening and Improving the Administration of Residential Property (「關於加強和改進住宅物業管理工作的通知」) in 2021, the regulatory framework for the property management industry in the PRC gradually developed into the current state. Together with the establishment of an open and fair market system for the industry, the property management industry in the PRC experienced a significant boost in growth and now involve the property management across a wide range of properties, including residential properties, commercial properties, offices, public properties, industrial parks, schools, hospitals and other properties.

The outbreak of the COVID-19 pandemic in recent years also facilitated the development of property management industry in the PRC as the preventive measures imposed by the government from time to time to counter the impact of the pandemic, including mandatory temperature taking, record keeping, rapid antigen testing and other security and hygiene related measures, were introduced and such measures, which are often responsibilities borne or shared by the property managers, became one of the most significant factors to prevent or counter the outbreak of COVID-19 pandemic in local communities and are regarded as extremely important by the communities. Property managers have therefore played a more significant role for tenants and property owners after the outbreak of COVID-19 pandemic and the importance of and demand for quality property management services have further strengthened.

According to research by Savills, the property management sector is believed to be approximately 35 billion square meters by the end of 2020, up from 19.3 billion square meters from the previous five years with revenues of RMB1.27 trillion. It is also expected that the property management industry in the PRC will continue to grow in a stable manner in the coming years under the impact of stable investment in real estate market as a result of the expected continued support from the government for the expansion and consolidation of the sector. The government has been actively encouraging further development of the sector by reducing costs, e.g., additional VAT deductions for the life services industry, of which property management industry forms part or through establishing industry standards, improving transparency, expanding the scope and scale of the industry and promoting greater technology adoption and sustainability within the industry. According to CRIC, residential property management remains the key focus for most property managers, with 95.4% of top 500 property managers providing some form of services to residential developments. Meanwhile, residential developments account for 60% of managed space, equivalent to roughly 8 billion square meters overall. According to Savills, Huatai Securities estimates that the city public services sector could be worth RMB304.4 billion to third-party managers by 2024, generating an additional 10-20% in additional revenue. The level of growth of the property management industry in the PRC will depend primarily on further improvement in policy environment to stimulate growth potential of the industry, improvement in urbanisation and personal income, providing immense room for industry development, and increase in real estate investment and saleable area, providing full support for market demand.

## RISK FACTORS

**Completion is subject to the fulfilment of certain conditions precedent, and may not take place as contemplated.**

Completion is subject to the fulfilment of certain conditions precedent to completion as set out in the paragraph headed "Conditions precedent to the Acquisition Agreement" in the letter from the Board in this circular. As certain conditions precedent involve the actions and decisions of third parties, including relevant regulatory authorities, which are not within the control of the contracting parties to the Acquisition Agreement. The Company cannot assure its Shareholders that all or any of the conditions precedent as set out in the Acquisition Agreement will be fulfilled or the Completion will take place as contemplated, or at all.

**The Target Group may not be able to expand its property management portfolio, which may have a material adverse effect on its business, financial condition and results of operations.**

There is no assurance that the Target Group would be able to maintain or grow its property management portfolio. The Target Group's growth may be affected by a number of factors beyond its control, such as changes in the general economic condition of the PRC, the conditions and developments in the real estate market, the applicable laws and regulations, the supply and demand dynamics of the property management industry, the ability of the Target Group to generate sufficient liquidity internally and to obtain sufficient external financing for its growth. In addition, the Target Group's future growth depends heavily on its management's ability to improve its operational performance, which includes: its ability to successfully hire, train, and manage employees; its ability to understand the needs of residents and tenants of the properties managed by the Target Group and to manage and cultivate its relationships with its customers, suppliers and other business partners. Where the Target Group expands into a new market, it may have limited knowledge of the local property management service market, which could differ substantially from those in its established markets, and a lack of established relationships with local suppliers and other business partners. The Target Group may not be able to leverage on the advantage of its brand name in a new market, particularly against competitors in such markets who might have more resources and experience than the Target Group. Any of the foregoing may inhibit the Target Group from growing its property management portfolio.

**Termination or non-renewal of the Target Group's property management service contracts could have a material adverse effect on its business, financial condition and results of operations.**

The Target Group's property management service contracts generally do not have any fixed term or have a fixed term but are renewed automatically upon expiration unless terminated by the commercial clients or by the residential property's owner association (住宅業主委員會) which is still undergoing a low profile growth stage. When a new property management agreement is entered into by the relevant property owners' association with a property management service provider, property management service contracts in relation to non-residential properties generally have a term of one to two years and will be renewed upon expiration. There is no assurance that such contracts will not be terminated prior to expiration for cause or will be renewed upon expiration. In the event of such terminations or non-renewals, the Target Group's business, results of operations and financial condition could be materially and adversely affected.

**Increase in labour costs could slow the Target Group's growth, harm its business and reduce its profitability.**

To maintain and improve the Target Group's profitability, it is important for the Target Group to have good control and management of its labour costs. In the event that the Target Group is unable to increase its property management fees or to compensate for any potential increase in labour costs or to improve its operational efficiency, the Target Group's business, financial condition and results of operations may be materially and adversely affected. As the Target Group continues to expand its operations, it is expected that there would be an increase in headcount and in order to recruit and retain qualified employees, the Target Group may be required to pay higher wages which could lead to an increase in the Target Group's labour costs. Moreover, the growth of headcount will also increase the associated costs of the Target Group, such as those related to training, social insurance fund payments and housing provident fund contributions. Any failure to recruit and retain qualified employees in the future may delay the growth in the Target Group's property management portfolio, and could materially and adversely impact the Target Group's property management operations of its existing property management portfolio.

**The Target Group may not be able to successfully collect property management fees, which may lead to impairment losses on its receivables.**

The Target Group may encounter difficulties in collecting property management fees from property owners in markets. Although the Target Group has adopted various collection methods for overdue property management fees, there is no assurance that such measures will be effective every time. In the event that the actual recoverability is lower than expected, or that the Target Group's past allowance for impairment in relation to trade receivables becomes insufficient, the Target Group may need to provide for an additional allowance for impairment of trade receivables, which may in turn materially and adversely affect the Target Group business, financial condition and results of operations.

**The Target Group's business may be adversely affected if it fails to obtain, or experience material delays in obtaining, requisite government approvals or licenses in carrying out its operations.**

The Target Group is required to obtain and maintain certain licences, permits, certificates and approvals in order to provide property management and certain other services that it currently offers, which are subject to various specific conditions in order for the government authorities to issue or renew any certificate, license or permit. There is no assurance that the Target Group will be able to adapt to new rules and regulations that may come into effect from time to time or meet any licensing requirements or that it will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain or renew all necessary certificates, licences or permits for its operations in a timely manner, or at all, in the future. Therefore, in the event that the Target Group fails to obtain or renew, or encounters significant delays in obtaining or renewing, the necessary certificates, licences or permits for any of its operations, the Target Group may not be able to continue with its development plans, and its business, financial condition and results of operations may be adversely affected.

**Changes in the economic, political, social conditions and government policies in the PRC may have an adverse effect on the Target Group's business.**

The Target Group's business operations are conducted in the PRC and all of its revenue was derived from the PRC market. As a result, the Target Group is susceptible to changes in the economic, political and social conditions in the PRC, which could have an adverse effect on the overall economic growth of the PRC, and could potentially hinder the Target Group's business, growth strategies, financial condition and results of operations as a result.

## FINANCIAL EFFECTS OF THE ACQUISITION

As a result of the Acquisition, the Target Company will become a 100% wholly-owned subsidiary of the Company, and its financial statements will be consolidated into the financial statements of the Group.

### Assets and Liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, assuming the Acquisition had taken place at 30 June 2022, the Group's total assets would decrease from approximately HK$2,812.14 million to approximately HK$2,554.94 million and total liabilities would increase from HK$585.59 million to HK$627.58 million, resulting in an overall decrease in total consolidated net assets from approximately HK$2,226.55 million as at 30 June 2022 to approximately HK$1,927.36 million upon Completion given that the condition precedent of distribution of dividend by the Target Group in the amount of CNY220 million is done at the completion and settlement of account receivable from related parties in the amount of approximately CNY47.23 million.

**Earnings**

For the year ended 31 December 2021, the consolidated net profit of the Group was approximately HK$57.56 million. Upon the Completion, the results of the Target Group would be consolidated with the Company. As set out in the accountants' report of the Target Company for the year ended 31 December 2022 in Appendix II to this circular, the Target Group recorded a net profit after tax of approximately RMB52.62 million. The Directors are of the opinion that the Acquisition will have a positive impact on the Enlarged Group's long-term financial performance.

**Liquidity**

As set out in this letter from the Board, the consideration of RMB430,000,000 (equivalent to approximately HK$485,900,000) will be settled by the internal resources of the Group and by way of assumption of debt due by the Vendor and its associates to the Target Group (which comprise primarily outstanding property management fees) at the Completion. According to the Company's interim report for the six months ended 30 June 2022, the Group's cash and cash equivalent is approximately HK$541.09 million as at 30 June 2022. It is expected that the Group's cash and cash equivalent would be reduced as a result of the Acquisition.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the cash and cash equivalent of the Enlarged Group will be reduced from HK$586.94 million to HK$212.08 million. Accordingly, the Enlarged Group's net current assets would decrease from approximately HK$1,281.78 million to approximately HK$517.10 million. The current ratio (being current assets over current liabilities) would also drop from approximately 3.86 times to approximately 2.15 times. Overall, although the Enlarged Group's liquidity will be affected, its overall liquidity is expected to remain healthy given that the Group will have a current asst of completed properties held for sales of HK$359.06 million and the remained cash and cash equivalent of HK$212.08. Before the Acquisition, the Group's net cash (being pledged deposits and cash and cash equivalents less borrowings and litigation deposit) was HK$443.31 million. Upon the Completion, after consolidating the financial position of the Target Group, the Enlarged Group's net cash is expected to be approximately HK$114.29 million.

**LISTING RULES IMPLICATIONS**

As one or more applicable percentage ratios for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Further, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor is indirectly wholly-owned by the sole shareholder of Macro-Link International Land, a controlling shareholder of the Company holding approximately 54.79% of the issued share capital of the Company as at the Latest Practicable Date and a connected person of the Company within the meaning of the Listing Rules. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

## INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. Tse Kwong Hon and Mr. Cao Kuangyu, has been established to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole.

## INDEPENDENT FINANCIAL ADVISER

Red Sun Capital Limited has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders on how to vote at the SGM.

## SGM

The SGM will be convened and held, for the Independent Shareholders to consider, and if thought fit, approve, among other matters, the Acquisition Agreement and the transactions contemplated thereunder. As Macro-Link International Land and Macro-Link International Investment, which are commonly owned by Macro-Link Holding Company Limited, being the Shareholders holding 1,757,450,743 Shares (representing approximately 54.79% of the issued share capital of the Company as at the Latest Practicable Date) and 215,988,336 Shares (representing approximately 6.73% of the issued share capital of the Company as at the Latest Practicable Date) respectively, Macro-Link International Land and Macro-Link International Investment and their respective associates shall abstain from voting on the proposed resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the SGM. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, no other Shareholder is required to abstain from voting at the SGM.

A notice convening the SGM at Conference Room, 8/F., Macrolink Group Building, Government Ave, Taihu Town, Tongzhou District, Beijing, the PRC on Tuesday, 11 April 2023 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof (as the case may be) should you so desire.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon its ultimate beneficial owners and their respective associates; and (ii) no obligation or entitlement of its ultimate beneficial owners and their respective associates as at the Latest Practicable Date, whereby it or he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its or his Shares to a third party, either generally or on a case-by-case basis.

## RECORD DATE

For determining the entitlement to attend and vote at the above SGM, the register of members of the Company will be closed on Tuesday, 11 April 2023, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 April 2023.

## VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolution(s) at the SGM will be conducted by way of poll.

## RECOMMENDATION

The Directors, consisting of Mr. Ma Chenshan, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming, who are also the directors or the associates of the Vendor and/or Macro-Link International Land and/or Macrolink Culturaltainment Development Co., Ltd. (which is the holding company of Macro-Link International Land), and may thus have conflict of interests in the Acquisition Agreement; but including the independent non-executive Directors whose opinion is set forth in the "Letter from the Independent Board Committee" in this circular after considering the advice of the Independent Financial Adviser, believe that the terms of the Acquisition Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and thus, recommend the Independent Shareholders to vote in favour of the resolution to approve the Acquisition Agreement at the SGM.

Shareholders are advised to read carefully the "Letter from the Independent Board Committee" in this circular regarding the Acquisition Agreement on pages 27 to 28 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 29 to 58 of this circular, considers that the terms of the Acquisition Agreement are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Acquisition Agreement at the SGM.

## FURTHER INFORMATION

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

By the order of the Board
**New Silkroad Culturaltainment Limited**
**Ma Chenshan**
*Chairman and Executive Director*

*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Acquisition Agreement:*

新絲路文旅有限公司
NEW SILKROAD CULTURALTAINMENT LIMITED
*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 472)**

22 March 2023

*To the Independent Shareholders*

Dear Sir or Madam,

## MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE HOLDING COMPANY OF A PROPERTY MANAGEMENT GROUP

We refer to the circular of the Company dated 22 March 2023 (the "**Circular**"), of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to consider whether the terms of the Acquisition Agreement are fair and reasonable, whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 26 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of whether the terms of the Acquisition Agreement are fair and reasonable, whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and the Independent Shareholders on how to vote.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 29 to 58 of the Circular, we are of the opinion that the Acquisition Agreement are on normal commercial terms, are in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Despite that the Acquisition Agreement is not conducted in the ordinary and usual course of business of the Company, the business conducted by the Target Group, i.e., real property related businesses such as the provision of property management services, is in the ordinary and usual course of business of the Group and complements the other real property related businesses of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

| | | |
|---|---|---|
| **Mr. Ting Leung Huel, Stephen** | **Mr. Tse Kwong Hon** | **Mr. Cao Kuangyu** |
| *Independent non-executive Director* | *Independent non-executive Director* | *Independent non-executive Director* |

*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders regarding the major and connected transaction for the purpose of inclusion in this circular.*

红日资本有限公司
RED SUN CAPITAL LIMITED

Room 310, Floor 3
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong
Tel: (852) 2857 9208
Fax: (852) 2857 9100

22 March 2023

*To: The Independent Board Committee and the Independent Shareholders of New Silkroad Culturaltainment Limited*

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE HOLDING COMPANY OF A PROPERTY MANAGEMENT GROUP**

## I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 22 March 2023, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

References are made to the Announcement in relation to the Acquisition Agreement. On 21 December 2022, the Purchaser and the Vendor entered into a non-legally binding letter of intent in relation to the potential acquisition of the Target Company by the Purchaser from the Vendor. On 4 January 2023, the Purchaser, as purchaser, entered into the Acquisition Agreement with the Vendor, a connected person of the Company, as vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interest, representing 100% of the equity interest of the Target Company, at the total consideration of RMB430,000,000 (equivalent to approximately HK$485,900,000).

As set out in the Letter from the Board, as one or more applicable percentage ratios for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Further, as the Vendor is indirectly wholly-owned by the sole shareholder of Macro-link International Land, a controlling shareholder of the Company holding approximately 54.79% of the issued share capital of the Company as at the Latest Practicable Date and a connected person of the Company within the meaning of the Listing Rules and therefore the transactions contemplated under the Acquisition Agreement also constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Acquisition Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

All executive Directors, i.e. Mr. Ma Chenshan, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming, who are also the directors or the associates of Macro- Link International Land and/or Macrolink Culturaltainment Development Co., Ltd. (which is the holding company of Macro-Link International Land), have abstained from voting at the Board meeting approving the Acquisition Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Acquisition Agreement and none of them is required to abstain, or has abstained, from voting on the relevant board resolutions approving the Acquisition Agreement and the transactions contemplated thereunder.

## II. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. Tse Kwong Hon and Mr. Cao Kuangyu, has been established to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole.

We, Red Sun Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders for the purpose of advising the Independent Board Committee and the Independent Shareholders whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

## III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Target Group and their respective shareholders, directors or chief executives, or any of their respective associates and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition Agreement and the transactions contemplated thereunder.

Save for our appointment as the independent financial adviser for the major and connected transactions regarding the extension of term in relation to the redemption of redeemable preference shares in and provision of financial assistance to Macrolink Australia Investment Limited, the circular of which was dated 27 February 2023, there was no engagement between the Company and Red Sun Capital Limited in the last two years.

Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## IV. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the "**Management**") and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group, made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view in compliance with Rule 13.80 of the Listing Rules, which included, among others (i) the Acquisition Agreement and reviewed the terms thereunder; (ii) the Announcement; (iii) reviewed the contents as set out in the Circular, including the reasons for and the benefits of the Acquisition; (iv) reviewed the information as set out in the 2021 Annual Report and the 2022 Interim Report (defined hereafter) for our analysis on the background and historical financial performance of the Group; (v) conducted market research on the background information of the property management industry in the PRC; (vi) conducted market research on the Consideration; and (vii) reviewed the Valuation Report (defined hereafter). The Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition Agreement and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

### 1. Background information of the Group

As set out in the Letter from the Board, the Group is principally engaged in the (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate in Australia; (iii) production and distribution of wine in the PRC; and (iv) operation of entertainment business in South Korea.

Set out below are the key financial information of the Group for the years ended 31 December 2020 and 2021, and the six months ended 30 June 2021 and 2022 as extracted and summarised from the published annual report for the year ended 31 December 2021 (the "**2021 Annual Report**") and the interim report for the six months ended 30 June 2022 (the "**2022 Interim Report**"), respectively:

*Table 1: Consolidated financial result of the Group*

| | For the six months ended 30 June | | For the year ended 31 December | |
|---|---|---|---|---|
| | **2022** | **2021** | **2021** | **2020** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (unaudited) | (unaudited) | (audited) | (audited) |
| **Segment revenue** | | | | |
| Real estate, integrated resort and cultural tourism | 202,361 | – | 2,489,318 | – |
| Wine | 47,720 | 50,020 | 112,415 | 117,160 |
| Entertainment business | – | – | – | 391 |
| Total | 250,081 | 50,020 | 2,601,733 | 117,551 |
| **Segment result** | | | | |
| Real estate, integrated resort and cultural tourism | (91,350) | (9,615) | 405,600 | (26,034) |
| Wine | (843) | 6,771 | 9,365 | (15,343) |
| Entertainment business | (7,747) | (5,257) | (283,660) | (64,830) |
| Total | (99,940) | (8,101) | 131,305 | (106,207) |
| **(Loss)/profit before tax** | (105,572) | (14,683) | 91,928 | (122,095) |
| **(Loss)/profit for the year/period** | (123,428) | (14,647) | 57,558 | (114,310) |
| **Attributable to:** | | | | |
| Owners of the Company | (73,318) | (11,793) | 61,864 | (92,028) |
| Non-controlling interests | (50,110) | (2,854) | (4,306) | (22,282) |

***Financial performance for the six months ended 30 June 2021 (the "6M2021") and the six months ended 30 June 2022 (the "6M2022")***

As set out in the 2022 Interim Report, the revenue increased from approximately HK$50.0 million for the 6M2021 to approximately HK$250.1 million for the 6M2022, representing an increase of approximately HK$200.1 million or 400.2%. The increase was mainly attributable to the delivery of 8 apartments in the Project with a recognised revenue of HK$202.4 million.

Revenue of approximately HK$202.4 million for 6M2022 was recognised in development and operation of real estate, integrated resort and cultural tourism business which was mainly due to the Project that was completed with the delivery of most of the residential apartments as scheduled in December 2021. The decrease in revenue of wine of approximately HK$2.3 million or 4.6% from approximately HK$50 million for 6M2021 to approximately HK$47.7 million for 6M2022 was mainly due to the constrain by PRC's epidemic prevention and control measures in the period. No revenue from entertainment business was recognised for both 6M2021 and 6M2022 which was mainly attributable to the suspend operations in order to cooperate with the local government's epidemic prevention work.

During the 6M2022, the Group recorded a loss of approximately HK$123.4 million (6M2021: loss of approximately HK$14.6 million). The increase in loss was mainly attributable to (i) the impairment loss of the Glorious Hill resort land in Jeju, South Korea, approximately HK$103.6 million for 6M2022 (6M2021: Nil); and (ii) the accrual of under-provision in prior year income tax expenses of approximately HK$18.1 million in the Project (6M2021: Nil).

***Financial performance for the year ended 31 December 2020 (the "FY2020") and the year ended 31 December 2021 (the "FY2021")***

As set out in the 2021 Annual Report, the revenue of the Group increased from approximately HK$117.6 million for the FY2020 to approximately HK$2,601.7 million for FY2021, representing an increase of approximately HK$2,484.1 million or 2,112.3%. The increase was mainly attributable to the contribution from the recognition of revenue by the delivery of most of the residential apartments of the Project, the development project of the Group in Sydney, Australia.

Residential apartments of the Project were delivered to buyers in December 2021 which 89 residential apartments out of a total of 104 were delivered and sales revenue of approximately HK$2,489.3 million was recognised for FY2021. The decrease in revenue of wine of approximately HK$4.8 million or 4.1% from approximately HK$117.2 million for FY2020 to approximately HK$112.4 million for FY2021 which was driven by PRC's domestic economic recovery. No revenue from entertainment business was recognised for FY2021 (FY2020: revenue from entertainment business of approximately HK$0.4 million) due to the entertainment business is still suffering from the impact of the pandemic as the situation of COVID-19 outbreak in South Korea remains very volatile with the prevention measures continued to maintain in Jeju.

During the FY2021, the Group recorded a profit of approximately HK$57.6 million (FY2020: loss of approximately HK$114.3 million). The increase was mainly attributable to the successful delivery of the Project laid the foundation for the Group to turn losses into profits during the year.

*Table 2: Consolidated financial position of the Group*

| | **As at 30 June 2022** | **As at 31 December 2021** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (audited) |
| Non-current assets | 1,060,409 | 1,227,343 |
| Current assets | 1,206,981 | 1,539,497 |
| Total assets | 2,267,390 | 2,766,840 |
| Non-current liabilities | (135,569) | (139,327) |
| Current liabilities | (201,158) | (485,911) |
| Total liabilities | (336,727) | (625,238) |
| Net assets | 1,930,663 | 2,141,602 |

Among the Group's total assets of approximately HK$2,267.4 million as at 30 June 2022, which mainly included (i) approximately HK$813.5 million was property, plant and equipment; (ii) approximately HK$541.1 million was cash and cash equivalents; (iii) approximately HK$359.1 million was completed properties held for sale; (iv) approximately HK$214.5 million was inventories; and (v) approximately HK$143.4 million was intangible assets.

Among the Group's total liabilities of approximately HK$336.7 million as at 30 June 2022, which mainly included (i) approximately HK$113.8 million was accruals and other payables; (ii) approximately HK$58.8 million was bank borrowings; (iii) approximately HK$55.6 million was lease liabilities; (iv) approximately HK$26.8 million was deferred tax liabilities; and (v) approximately HK$29.0 million was trade payables.

As at 30 June 2022, the Group had net assets of approximately HK$1,930.7 million. The gearing ratio as at 30 June 2022 was 3.9%.

Among the Group's total asset of approximately HK$2,766.8 million as at 31 December 2021, which mainly included (i) approximately HK$973.8 million was property, plant and equipment; (ii) approximately HK$627.1 million was cash and cash equivalents; (iii) approximately HK$545.4 million was completed properties held for sale; and (iv) approximately HK$224.4 million was inventories.

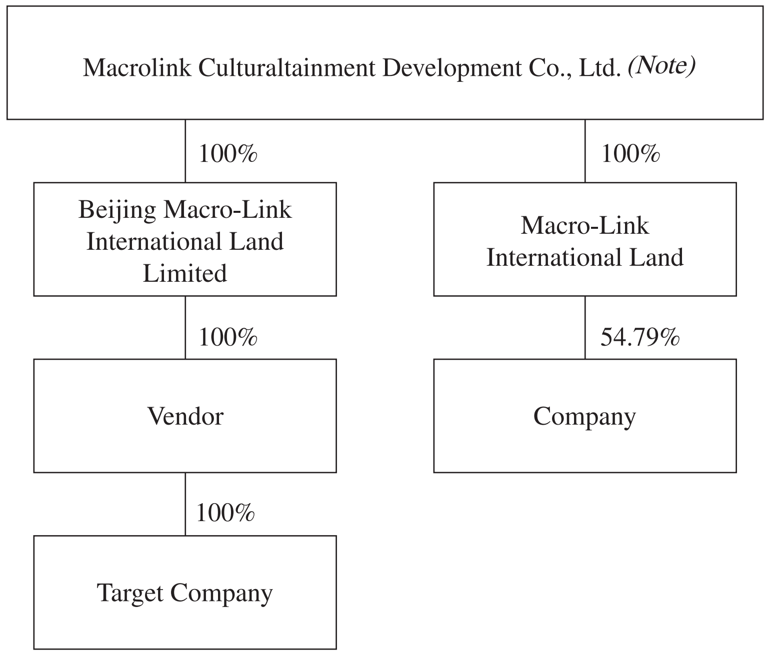
Among the Group's total liabilities of approximately HK$625.2 million as at 31 December 2021, which mainly included (i) approximately HK$180.5 million was accruals and other payables; (ii) approximately HK$107.9 million was loans from non-controlling shareholders of subsidiaries; and (iii) approximately HK$101.5 million was tax payable.

As at 31 December 2021, the Group had net assets of approximately HK$2,141.6 million. The gearing ratio as at 31 December 2021 was 8.1%.

**2. Background information of the Target Group**

As set out in the Letter from the Board, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Target Company is a company incorporated under the laws of the PRC principally engaged in investment holding, and its subsidiaries are principally engaged in property management in the PRC under the brand "Yuehao Property Management（悅豪物業管理）" as at the Latest Practicable Date. As at the Latest Practicable Date, the Target Company has 14 subsidiaries, all being wholly-owned companies established under the laws of the PRC.

The shareholding structure of the Target Company as at the Latest Practicable Date is set out below:




*Note:* Macrolink Culturaltainment Development Co., Ltd. is a company listed on the Shenzhen Stock Exchange with stock code: SZ000620 which wholly owns Macro-Link International Land, a controlling shareholder of the Company holding approximately 54.79% of the issued share capital of the Company as at the Latest Practicable Date. Macrolink Culturaltainment Development Co., Ltd. is owned as to approximately 61.17% by Macro-Link Holding Company Limited as at the Latest Practicable Date, which is in turn owned as to approximately 93.40% by Cheung Shek Investment Company Limited, as to approximately 2.83% by Mr. Fu Kwan, as to approximately 0.11% by Ms. Xiao Wenhui and as to the remaining 3.66% by four individuals. Cheung Shek Investment Company Limited is owned as to approximately 59.76% by Mr. Fu Kwan, as to approximately 33.46% by Ms. Xiao Wenhui and as to the remaining 6.78% by two individuals.

Cheung Shek Investment Company Limited was established in the PRC in 2006 and its principal business scope involves investment and investment management (excluding financial and brokerage business; public trading of securities investment products or financial derivative products is not allowed; financial products, wealth management products and related derivative businesses are not allowed). Mr. Fu Kwan and Ms. Xiao Wenhui are the ultimate beneficial owners of Macro-Link Holding Company Limited and its subsidiaries (the "**Macrolink Group**"). Mr. Fu Kwan is currently the Chairman and President of the Macrolink Group. Since April 2007, Ms. Xiao Wenhui has served as the vice president and senior vice president of Macro-Link Holding Company Limited, the holding company of the Macrolink Group. Since January 2015, she has also served as the director of the human resources department of Macro-Link Holding Company Limited. Since May 2015, she has been a director of Macro-Link Holding Company Limited.

The brand "Yuehao Property Management(悅豪物業管理)" has over 22 years of history and 北京悅豪物業管理有限公司 (Beijing Yuehao Property Management Co., Ltd.), being the principal operating subsidiary and holding company of all other subsidiaries of the Target Company, has the national first-class property management qualification(國家一級物業管理資質), and is a member of China Property Management Association(中國物業管理協會會員) and a council member of Beijing Property Management Association(北京物業管理協會理事會員單位). As at the Latest Practicable Date, the property management business of the Target Group spans across different cities and regions of the PRC, with a total of 49 property management projects, which cover a total of 128 managing zones which are more particularly categorised below, and may be further broken down into different types of properties within the different managing zones such as large-scale residential quarters, high-end apartments, villas, industrial parks, commercial plazas, and other properties related to cultural tourism and urban service management. A property management project commonly involves different managing zones depending on the different nature and phrases of development of, as well as demand and needs of the community.

As at the Latest Practicable Date, the property management business of the Target Group spans across different cities of the PRC, with a total property management area of over 10.24 million square meters of gross floor area, involving large-scale residential quarters, high-end apartments, villas, industrial parks, commercial plazas, and other properties related to cultural tourism and urban service management, a summary of which is as follows:

| Location in the PRC | Number of managing zones by nature in property projects managed by the Target Group | Approximately gross floor area (nearly 10,000 square meters) |
|---|---|---|
| Beijing | 72 | 294.72 |
| Hunan | 13 | 153.38 |
| Anhui | 10 | 93.63 |
| Qinghai | 7 | 91.50 |
| Ningxia | 5 | 91.40 |
| Shanghai | 5 | 39.76 |
| Tianjin | 4 | 26.53 |
| Guangdong | 4 | 80.89 |
| Hubei | 3 | 60.28 |
| Inner Mongolia | 2 | 50.30 |
| Jiangsu | 2 | 15.93 |
| Changchun | 1 | 26.12 |
| **Total** | **128** | **1,024.47** |

For further details and information of the Target Group please refer to the section headed "INFORMATION ON THE TARGET GROUP" under the Letter from the Board.

### *2.1 Financial information of the Target Company*

The financial information extracted from the unaudited consolidated financial statements of the Target Company prepared in accordance with the PRC Generally Accepted Accounting Principles for the relevant periods is set out below:

| | For the year ended 31 December 2020 *(RMB'000)* (audited) | For the year ended 31 December 2021 *(RMB'000)* (audited) | For the year ended 31 December 2022 *(RMB'000)* (audited) |
|---|---|---|---|
| Revenue | 320,700 | 388,462 | 369,954 |
| Profit before tax | 47,063 | 64,149 | 61,642 |
| Profit after tax | 35,305 | 49,356 | 52,623 |

| | At 31 December 2020 *(RMB'000)* (audited) | At 31 December 2021 *(RMB'000)* (audited) | At 31 December 2022 *(RMB'000)* (audited) |
|---|---|---|---|
| Net assets | 150,624 | 199,980 | 252,603 |

As set out in the financial information of the Target Company above, the revenue of the Target Company was approximately RMB320.7 million, RMB388.5 million and RMB370.0 million for the years ended 31 December 2020, 2021 and 2022, respectively. The net assets of the Target Company were approximately RMB150.6 million, RMB200.0 million and RMB252.6 million as at 31 December 2020, 2021 and 2022, respectively, representing an increase of 32.8% and 26.3%, respectively, which was mainly attributable to the increase in amount due from related parties.

**3. Background information on the property management industry in the PRC**

With reference to the website of the National Bureau of Statistics of the PRC (http://www.stats.gov.cn), and the PRC Fourth Quarter 2022 Gross Domestic Product Preliminary Results* (2022年四季度國內生產總值初步核算結果)[1] the PRC recorded year-on-year growth in gross domestic product ("**GDP**") in 2021 of approximately 8.4% and based on preliminary published figures for the twelve months ended 31 December 2022, the PRC recorded a year-on-year growth on the GDP of approximately 2.9% compared to the twelve months ended 31 December 2021. Such relatively moderate GDP growth for the twelve months ended 31 December 2022 was partly attributable to the re-emergence of COVID-19 cases in various regions or cities of the PRC from time to time. In this connection, the PRC government has introduced various regulations and measures to manage and contain the re-emergence of these COVID-19 cases, some of which may have temporarily affected the level of business activities in the subject area.

According to the 14th Five Year Plan (the "**14th FYP**")*（十四五規劃）announced by the PRC government in March 2021, the target urbanisation rate of the resident population*（常住人口城鎮化率）is set at 65.0% by 2025. In this connection, the PRC government had implemented policies to promote urbanisation in the PRC through to, among others, (i) accelerate the agricultural population urbanisation*（加快農業轉移人口市民化）by implementing three main strategies, namely further reform of the household registration system*（深化戶籍制度改革）, implementation of the residence permit system*（實施居住證制度）and improvement on the system for promoting urbanisation of agricultural population*（健全促進農業轉移人口市民化的機制）; and (ii) optimise urbanisation layout*（優化城鎮化佈局和形態）by implementing three main strategies, namely the acceleration of the construction and advancement of urban agglomeration*（加快城市群建設發展）, enhance the drive of activities by central cities*（增強中心城市輻射帶動功能）and speeding up of the development of small and medium-sized cities and characteristical towns*（加快發展中小城市和特色鎮）.

1 *2022年三季度國內生產總值初步核算結果 (http://www.stats.gov.cn/tjsj/zxfb/202210/t20221024_1889502.html)*

Furthermore, based on publication by the PRC government in relation to the 14th FYP, the PRC government will focus on enhancing the quality and efficacy of the overall economy with a view to attain sustainable and healthy development through, among others, (i) the improvement of supply chain modernisation*(提升產業鏈供應鏈現代化水平); (ii) the development of strategical new industries*(發展戰略性新興產業); (iii) the acceleration of modern service industries development*(加快發展現代服務業); (iv) the coordination of infrastructure construction advancement*(統籌推進基礎設施建設); and (v) the acceleration of the development of digitalisation*(加快數位化發展)[2].

It is expected that the development of the PRC real estate market will continue to be influenced by changes in PRC government policies at a national and regional level which is intended to promote sustainable and healthy long-term development, the then prevailing market environment as well as the overall economic development of the PRC.

**4. Reasons for and benefits of the Acquisition**

As set out in the Letter from the Board, the Group is principally engaged in the (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate and commercial property in Australia; (iii) production and distribution of wine in the PRC; and (iv) operation of entertainment business in South Korea. Currently, the Group carries out property development and operation businesses of integrated resort and cultural tourism in South Korea through the Glorious Hill Project in Jeju, South Korea and of real estate and commercial property in Australia through the Opera Residence, the development project of the Group in Sydney, Australia, and the commercial leasing management of the boutique commercial mall in Sydney, Australia whereby a total of 4 tenants of the boutique commercial mall pay to the Group rental income. Property development and operation business has long been part of the principal businesses of the Group and the Company has been exploring the further expansion of its property-related businesses into property management in the PRC.

2 *Publication of the State Council of the PRC titled "中共中央關於制定國民經濟和社會發展第十四個五年 規劃和二零三五年遠景目標的建議" (Source: www.gov.cn/zhengce/2020-11/03/content_5556991.htm)*

As disclosed in the announcement of the Company dated 21 December 2022, the Board believes that the Group should take advantage of the Group's current sufficient funds and sustainable sources of funds, as well as the proactive easing of the COVID-19 epidemic policy in the PRC beginning in mid-December 2022, and the State Council of China's Strategic Planning – "Outline of Strategic Planning for Expanding Domestic Demand (2022-2035)" issued on 15 December 2022 in which it is mentioned that the PRC government will "improve the quality level of community public services; build a community service system that combines public services, convenience and benefit services, and voluntary mutual assistance services; enhance community service functions; guide social forces to participate in community services; induce the social power and social supply chain to continue to improve the quality of community services; improve the level of intelligence in community services; support the integration and innovation of housekeeping, elderly care, childcare, property and other business services and; improve the ability and level of community epidemic prevention and control."

The Acquisition would provide the Company with an opportunity to expand its property-related businesses into property management in the PRC under an established brand name. The Target Group has over 22 years of history and experience in the field of property management in the PRC, with a focus on Tongzhou District in Beijing City, the PRC, and the Acquisition would enable the Company to take advantage of the existing network and relationships of the Target Group, as well as the experienced and knowledgeable staff and management and relevant licences and approvals to seamlessly continue the existing business operations of the Target Group, which have been performing outstandingly over the past years and are expected to continue to generate promising growth and results to the Group after the Completion through the stable stream of property management fee income.

The three main reasons for the potential promising growth of the Target Group are as follows: (i) firstly, the economy in the PRC is expected to gradually further recover from the impact of the pandemic mentioned in the above paragraph; (ii) secondly, the growth of the government segment (which includes government conference centre, sub-district office, armed forces project bases, district people's procuratorate, town services centres, town government buildings, etc., being projects which are sourced from the government offices, mainly from the Tongzhou District of Beijing City) of the Target Group will be substantially larger in the next three years as it is expected that the Phase II of the "Beijing Municipal Administrative Center Project"# in Tongzhou District would be delivered for use gradually after consolidation in the year 2023 (http://bj.people.com.cn/BIG5/n2/2023/0105/c14540-40254732.html). Given that the Target Group is one of the major property management providers in Tongzhou District, there would be a higher applied growth rate in its business forecast subject to there being no material change to the overall economic landscape and regulatory framework of the industry in the PRC, as the Target Group has entered into property management agreements or arrangements with the local government of Tongzhou in the second half of 2022 (including the projects in Tongzhou Canal Business Park (通州運河商務園), Beijing Social Security and Employment Service Center for the Disabled (北京市殘疾人社會保障和就業服務中心) and a funeral home in Xiangcheng District, Suzhou City), and the Target Group has been negotiating with the government for new projects which may potentially be added to the property management portfolio of the Target Group; (iii) lastly, the business development of Macrolink Culturaltainment (which is the holding company of Macro-Link International Land and the controlling shareholder of the Group) is developing in an asset-light manner and it is expected that the property management service of its new projects would be preferentially sourced to the Target Group, likewise the existing three theme parks of Macrolink Culturaltainment and/or its associates in Hunan, Anhui and Qinghai provinces of PRC. Hence, the businesses of the Target Group would maintain consistent performance in the near future, allowing the Group to reap the returns for the Company and its Shareholders as a whole.

As set out in the paragraph headed "III. WORKING CAPITAL STATEMENT" in Appendix I to the Circular, the Group has sufficient funding as at the Latest Practicable Date to satisfy its working capital needs for at least the next twelve months commencing from the date of the Circular. As the Target Group has a strong operating cashflow before movement in working capital as per note 30 in the accountant's report on the Target Group, it is expected that the Target Group would be able to sustain its own cash sufficiency for its future development. Hence, there would be no additional or immediate pressure on the other main businesses (i.e. winery in the PRC and entertainment & resort development South Korea) of the Group. This would allow the other main businesses of the Group to slowly recover and, if necessary, allow more time for the Directors to consider any restructuring plan as appropriate.

The business model of the Group involves the generation of revenue through its investments in different segments by way of (i) the leasing of golf land and the hotel erected on the Glorious Hill land lots (which were already existing at the time of acquisition of Glorious Hill by the Group in 2015) in South Korea and the payment of rental income since 2019; (ii) the sale of residential and commercial property developed by the Group in Australia and the leasing of commercial property prior to the sale of such property and the payment of rental fee income; (iii) the manufacture and sale of wine in the PRC and the related sales income; and (iv) the tourism income from its entertainment business in South Korea (which has been halted due to COVID and regulatory matters). As at the Latest Practicable Date, the Company has the following development plans for its existing businesses: (i) maintain the development and operation of integrated resort and cultural tourism in South Korea, and continue to seek financing, funding channels and business partners as appropriate; (ii) continue to promote and facilitate the sale of the remaining 4 residential apartments and the 980-square-meter boutique shopping mall in Australia; (iii) maintain the production and distribution of wine in the PRC and adjust its production mix and distribution channels as appropriate depending on the recovery of domestic demand in the PRC, with the aim to increase the revenue of the Group; and (iv) continue to cooperate and comply with the local government's epidemic prevention work with the aim of maintaining and developing the operation of entertainment business of the Group in South Korea, and seek opportunities for divestment through intermediates or agent, where appropriate. Save for the possible divestment of its Korea entertainment business, the Company has no intention to downsize, dispose of or cease any of its existing business operations.

As discussed in the section headed "Industry Overview" in the Letter from the Board, the property management industry in the PRC is a stable business engaged in the "dual circulation" of economic cycles of China in the future. The business of Target Group has a relative strong public segment (School, Government & Convention and Residential cum Commercial) of property managing zones, as disclosed with 30 managing zones out of the total 128, which is aligned with the focus in the Community Public Services in the State Council of China's Strategic Planning as mentioned in the Letter from the Board.

As set out in the Letter from the Board, the three executive Directors namely Mr. Ma Chenshan, Mr. Hang Guanyu and Mr. Liu Huaming, have also been heavily involved in the top-level strategic management of Macrolink Culturaltainment (the ultimate holding company of the Target Group) for the past 2 years. Mr. Hang Guanyu and Mr. Liu Huaming have also been the directors and/or supervisory president of the major holding and operating subsidiary of the Target Group for the past 4 years. Hence, there are Directors in the Board who possess in-depth and professional knowledge, and the necessary experience and the expertise to continue the effective control and management on the Target Group after Completion.

After the Completion, the Group plans to expand the property management business of the Target Group in accordance with the existing business development plans of the Target Group, which included (i) strategically expanding the property management business in regions with strong potential such as the Beijing-Tianjin-Hebei region and the East China and Central South regions with the aim to increase the market share of the Target Group; (ii) diversifying the types of properties to be managed by the Target Group in addition to the existing types of properties currently under the property management of the Target Group as more particularly set out in the section headed "Information of the Target Group" in the Circular; (iii) expanding external project portfolio through strategic cooperation and investments as well as through bidding; (iv) exploring and researching on the potential of the provision of value-added services in connection with the property management business in order to broaden the scope of services of the Target Group, establishing a replicable business model, and promoting the increase of diversified income; (v) utilising and improving the existing use of information technology to optimise the effectiveness and efficiency of the business model and operations of the Target Group and to promote the community development of the projects under management; (vi) continuing to attract, recruit, train and retain talents to support the business growth of the Target Group.

According to the Valuation Report (as defined below), as at the valuation date of 31 December 2022, the Fair value of The Sale Interest using market approach is not less than the consideration of RMB430 million under the Acquisition Agreement.

Considering (i) the Company has been exploring the further expansion of its property-related businesses into property management in the PRC; (ii) the Acquisition would provide the Company with an opportunity to expand its property-related businesses into property management in the PRC under an established brand name; (iii) the Group has sufficient funding as at the Latest Practicable Date to satisfy its working capital needs for at least the next twelve months commencing from the date of the Circular; (iv) the experience and professional knowledge of the executive Directors; and (v) our review on the latest trend of the PRC property management industry and the statistics of the PRC economy, which have been stated under the above paragraph headed "Background information on the property management industry in the PRC", following the 14th FYP as abovementioned, we consider that the Acquisition will benefit from the growth of the PRC property management market and align with the government's plan to promote urbanisation in the PRC and we concur with the Directors' view that, the terms of the Acquisition Agreement and the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## 5. The Acquisition Agreement

### *5.1 Principal terms of the Acquisition Agreement*

The following information has been extracted from the Letter from the Board:

| | |
|---|---|
| Date: | 4 January 2023 |
| Parties: | (i) The Vendor as vendor |
| | (ii) The Purchaser as purchaser |

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor, being a company principally engaged in project investment, is wholly-owned by Beijing Macro-Link International Land Limited, which is in turn wholly-owned by Macrolink Culturaltainment Development Co., Ltd., a company listed on the Shenzhen Stock Exchange with stock code: SZ000620 which wholly owns Macrolink Land, a controlling shareholder of the Company holding approximately 54.79% of the issued share capital of the Company as at the Latest Practicable Date. As such, Macrolink Land is a connected person of the Company within the meaning of the Listing Rules. The target Company was sold by the Vendor to the Group and the acquisition cost of the Vendor was RMB430 million (equivalent to approximately HK$486 million).

Macrolink Culturaltainment Development Co., Ltd. is a property developer controlled by Macro-Link Holding Company Limited. It is a large-scale property developer with successful experience in developing high-end residential apartments, low-density ecological towns, Class-A office buildings, five-star hotels, commercial streets, large-scale commercial complexes and cultural tourist properties etc.

*Assets to be acquired*

Pursuant to the terms and conditions of the Acquisition Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interest, representing 100% of the equity interest of the Target Company as at the Latest Practicable Date.

***5.2 Consideration***

The total consideration shall be RMB430,000,000 (equivalent to approximately HK$485,900,000), which shall be satisfied by the Purchaser to the Vendor in cash in the following manner:

(i) RMB80,000,000 shall be payable by the Purchaser to the Vendor in cash at the signing of the Acquisition Agreement as refundable deposit (the "**Deposit**"), subject to the deduction of the earnest money already paid by the Purchaser to the Vendor in the amount of RMB12,000,000 for partial settlement of the consideration, by telegraphic transfer or in such manner as agreed by the Vendor and the Purchaser;

(ii) RMB65,511,224.84 shall be settled by the Purchaser by way of assumption of debt due by the Vendor and its associates to the Target Group (which comprise primarily outstanding property management fees) at the Completion; and

(iii) RMB284,488,775.16 shall be payable by the Purchaser to the Vendor in cash upon completion of the registration of the transfer of the Sale Interest with the relevant government authority in the PRC, by telegraphic transfer or in such manner as agreed by the Vendor and the Purchaser.

On 21 December 2022, the Purchaser and the Vendor entered into a non-legally binding letter of intent in relation to the potential acquisition of the Target Company by the Purchaser. Pursuant to the letter of intent, earnest money in the amount of RMB12,000,000 (equivalent to approximately HK$13,560,000) (the "**Earnest Money**") was paid by the Purchaser to the Vendor, which shall be applied for the partial settlement of the total consideration at the signing of the Acquisition Agreement. In the event that the Acquisition does not proceed to Completion, the Deposit (including the Earnest Money) shall be returned in full (without interest) by the Vendor to the Purchaser. As security for the Deposit, the Purchaser shall have the right to request the Vendor to transfer the Sale Interest to be registered in the name of the Purchaser and to keep such registration document(s) at a place mutually agreed between the parties.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, including without limitation, the net profit of the Target Company recorded in its management accounts as at 30 June 2022, and relevant market adjustments, such as price-to-earnings ratio, etc., the valuation of the entire equity interests in the Target Company of not less than RMB430 million as at 31 December 2022 carried out by the Valuer (defined hereafter), using the comparable transaction method under market approach, and the reasons for the Acquisition as disclosed under the paragraph headed "Reasons for and the benefits of the Acquisition" in the Letter from the Board.

### *5.3 Analysis on the Consideration*

*(i) Valuation of the Sale Interest*

In assessing the fairness and reasonableness of the valuation in respect of the market value of the 100% equity interest of the Target Company (the "**Valuation**"), we have reviewed the valuation report (the "**Valuation Report**") in respect of the market value of the 100% equity interest of the Target Company and discussed with Vincorn Consulting and Appraisal Limited, an independent valuer (the "**Valuer**") in relation to (i) their methodology and assumptions used in performing the Valuation; (ii) their scope of work for conducting the Valuation; and (iii) their relevant professional qualifications and experience.

Based on our discussion with the Valuer, the valuation methodology in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council. The Valuation is also based on the going concern premise and conducted on a market value basis. In any valuation analysis, three approaches, namely the market approach, the asset-based approach and the income approach, must be considered and the approach considered to be most relevant will then be selected for use to assess the market value of the equity interest. The Management has confirmed that the information provided to the Valuer for their valuation purposes was complete and up-to-date and the financial information of the Target Group was prepared under comparable accounting policies. We understood from the Valuer that both the asset-based approach and income approach were not applicable to the valuation of the equity interest as at 31 December 2022.

Regarding the asset-based approach, through our discussion with the Valuer, we are given to understand that asset-based approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition. Given that this approach disregards the future profit potentials of the Target Company, the Valuer considers that adopting the asset-based approach in this case may not be appropriate for the valuation of the Target Company.

Based on our discussion with the Valuer, regarding the income approach, which values assets with reference to the capitalised value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owning the assets. The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realising those benefits. As this approach involves financial forecast information and adoption of more assumptions than asset-based approach and market approach that may not be easily justified or ascertained, the Valuer considers that the adoption of the income approach for the valuation of the Target Company may not be appropriate. Given the asset-based approach and income approach may not be appropriate for the valuation of the Target Company, the Valuer has adopted the market approach which values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions, the derived multiples based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity and derive an indication of value.

The Valuer had adopted the price-to-earnings ratio ("**P/E Ratio**") to determine the market value of the Target Company. As advised by the Valuer, P/E Ratio considers the cost structure as well as profitability of the Target Company and it is a common valuation method for the assessment of companies' value with profitable businesses. After comparing with the price-to-book ratio ("**P/B Ratio**") and price-to-sales ratio ("**P/S Ratio**"), we concur with the Valuer's view that:

(i) the P/B Ratio is considered not appropriate for the Valuation since the Target Company is not a solely asset holding company and has its value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities; and

(ii) the P/S Ratio is also considered not appropriate for the Valuation since sales revenue does not consider the cost structure and profitability of the Target Company which are considered primary factors affecting the value of a company at the same kind.

The Valuer further advised that P/E Ratio reflects the significant business and profitability of the Target Company and therefore considered to be appropriate in this Valuation. Considering the Target Company is not a solely asset holding company and the profitability is a primary indicator affecting the value of it, we concur with the Valuer that P/E Ratio is considered to be appropriate for this Valuation.

As noted in the Valuation Report, the equity value of the Target Company is determined and calculated based on the followings:

| | *RMB* |
|---|---|
| P/E Ratio *(Note)* | 8.68 |
| Actual earnings for the year ended 31 December 2022 | 52,623,000 |
| 100% equity value | 456,548,067 |
| Less discount for lack of marketability ("**DLOM**") | (72,134,595) |
| 100% equity value (after DLOM) | 384,413,473 |
| Add control premium ("**CP**") | 88,030,685 |
| 100% equity value after DLOM and CP | 472,444,158 |
| **Round to** | **472,000,000** |

*Note:* The P/E Ratio of 8.68 times was calculated based on the Valuation Report issued by the Valuer. The Valuer excluded 9 out of 29 comparable companies from the calculation of the average of the P/E multiple as those 9 comparable companies were the datapoint which is more than 1 standard deviation away from the overall average. The standard deviation of the P/E Ratio for all comparable companies has been calculated to be 6.25x. As a result, the upper boundary for identifying outliners is set at 16.18x (i.e. 9.93x + 6.25x), while the lower boundary is set at 3.69x (i.e. 9.93x – 6.25x). Any comparable companies with P/E Ratio higher than 16.18x or lower than 3.69x will be considered as outliners. For further details please refer to Appendix VI to the Circular.

After reviewing the Valuation Report, we noted that in order to determine the P/E Ratio for the Valuation, the Valuer had identified 29 comparable companies which (i) are principally engaging in the business of property management services; (ii) are listed in Hong Kong Stock Exchange; (iii) their business operation in the PRC; and (iv) the financial information is available to the public (the "**Valuation Comparables**"). We are satisfied with the selection criteria of the Valuation Comparables considering it is the same principal business of the Target Group and also business operation in the PRC. We have also reviewed and independently performed an internet search on the Valuation Comparables adopted in the Valuation and noted that the Valuation Comparables fall within the selection criteria as mentioned above, we are of the view that the Valuation Comparables adopted by the Valuer are sufficient and appropriate for the Valuation.

It is also noted that the Valuer applied a (i) DLOM of 15.8% as an adjustment of marketability discount to the Valuation of the Target Company; and (ii) a CP of 22.9% to the estimated equity value after the DLOM to reflect the CP of the entire equity interests in the Target Company. The DLOM is applied by the Valuer given the shares of the Target Company is not publicly traded and an active market for its shares does not exist, and is determined with reference to a study 2021 edition of the Stout Restricted Stock Study Companion Guide issued by Stout Risius Ross, LLC, representing the overall median discount of 763 examined private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1908 through December 2020. The Valuer considered that the above statistics are sound and adopted the median discount rate as a prudent approach. We also noted from the Valuer that the CP is determined with reference to Control Premium Study of 3rd Quarter 2020, representing the overall median of equity control premium from 92 domestic and international transactions. When assessing the fairness and reasonableness of the DLOM and CP, we have independently (i) examined the use of the aforesaid study as a basis/reference of the DLOM and CP, and we note that the study is a widely used database for determination of discount for lack of marketability and equity control premium and consider they are the appropriate basis/reference of the DLOM and CP; (ii) obtained the result of the studies and examined details such as composition of transactions included in it and interpretation of the result; and (iii) examined the DLOM and CP applied in the Valuation and cross-checked it against the results of the studies and noted that the DLOM and CP adopted by the Valuer are the same rates as the median discount rate and median premium as shown in the studies. Based on the above, we consider that the DLOM and CP applied to the Valuation were fair and reasonable.

In view of the above, we consider that the parameters taken under the Valuation is fair and reasonable and under normal market practice of similar valuations.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Group; (ii) the Valuer's qualification and experience in relation to the preparation of Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. From the engagement letter and other relevant information provided by the Valuer and based on our interview with the Valuer, we are satisfied with the terms of engagement of the Valuer as well as its qualification and experience for preparation of the Valuation Report. The Valuer has also confirmed that it is independent to the Group and the Target Group.

Besides, we had discussed with the Valuer in relation to their experiences and understood that Mr. Vincent Cheung and Mr. Freddie Chan, the Managing Director and Executive Director of the Valuer and the person in charge of the Valuation Report, while (i) Mr. Cheung is a a Fellow Member of the Royal Institution of Chartered Surveyors, Member of The Hong Kong Institute of Surveyors, Registered Professional Surveyor (General Practice), Member of the China Institute of Real Estate Appraisers and Agents, Member of Hong Kong Securities and Investment Institute, Member of Institute of Shopping Centre Management, Vice President and Council Member of Hong Kong Institute of Real Estate Administrators, Fellow Member of Hong Kong Institute of Directors, Member of Hong Kong Professionals and Senior Executives Association, Council Member of Chengdu Chinese Overseas Friendship Association and Licensed Assessors Trainer and Registered Valuer of the Royal Institution of Chartered Surveyors, Registered Real Estate Appraiser and Agent People's Republic of China, and Licensed Estate Agent; and (ii) Mr. Chan is a Member of the Chartered Financial Analyst Institute, Member of Association of Chartered Certified Accountants, Financial Risk Manager, Member of the Royal Institution of Chartered Surveyors and Registered Valuer of the Royal Institution of Chartered Surveyors. Both of them are specialise in valuation and has worked in the consulting, appraisal, valuation and finance sector for over 25 years and 13 years, respectfully. Their work experience with a focus on Hong Kong and the PRC, they have also worked on projects in other countries around the world. We are of the view that they are qualified to provide reliable opinions in the Valuation Report. As discussed with the Valuer, they have no prior relationship with the Company or other parties and connected persons to the Acquisition Agreement, and we are of the view that the independence and objectivity of the Valuer is fair and equitable in providing opinions in the Valuation Report and the scope of work performed by the Valuer is appropriate to give the opinions. Based on the above, we are not aware of any major factor which caused us to doubt the fairness and reasonableness of the assumptions and methodologies adopted for the Valuation Report.

As set out above we are satisfied that (i) the Valuer is independent from the Company and the Target Group and has sufficient experience, qualifications and competence to perform the Valuation; (ii) the Valuer's scope of work is appropriate for the relevant engagement; and (iii) the assumptions and methodologies adopted by the Valuer are fair and reasonable in relation to the Valuation Report. Based on the above, we are of the view that the Valuation is fair and reasonable.

*(ii) Further analysis on the Consideration*

To further assess the fairness and reasonableness of the Consideration, we had also compared and obtained the P/E Ratio and P/B Ratio (as illustrative purpose) of the Valuation Comparables as at the date of the entering into the Acquisition Agreement with the Vendor ("**Acquisition Date**"). We consider that the Valuation Comparables is appropriate in providing a general reference for the recent market practice in relation to the P/E Ratio for the Valuation under similar principal business and business operation in the PRC, given that (i) the timeframe is as at the date of the entering into the Acquisition Agreement which is sufficient in generating a reasonable and meaningful amount of samples for the purpose of our analysis; and (ii) the inclusion of all Valuation Comparables without any artificial selection or filtering on our part represents a true and fair view of the recent market trends of other listed issuers in Hong Kong. The Valuation Comparables were identified based on below criteria on an exhaustive basis which (i) are listed on the main board of The Stock Exchange as at the Acquisition Date, excluding listed companies which are being suspended for more than three months as at the Acquisition Date; (ii) have a significant proportion that over 50% or is the largest proportion of their total revenue from property management segment for its latest financial year; and (iii) have a significant proportion that their total revenue mainly generated from the PRC. The size, scale of the market capitalisation, profitability and financial positions of the Valuation Comparables may be not the same as the Target Company and we have not conducted any in-depth investigation into the size, scale of the market capitalisation, profitability and financial positions of the Valuation Comparables. Considering the Target Company is a private company and is not listed, we consider the selection criteria with a significant proportion that over 50% or is the largest proportion of their total revenue from property management segment is more relevant as compared with the size or scale of the market capitalisation since excluding any Valuation Comparables based on the size or scale of the market capitalisation may distort the result of the analysis. This analysis is aiming in providing a general reference for the recent market practice in relation to the analysis on the Consideration. Please refer to below for the details of the Valuation Comparables:

| Company name | Stock code | Principal business | Market capitalisation as at the Acquisition Date *(HK$ million)* | Net asset value attributable to owners of the company *(Note 1)* *(HK$ million)* | Net profit attributable to owners of the company *(Note 2)* *(HK$ million)* | P/E Ratio as at the Acquisition Date |
|---|---|---|---|---|---|---|
| Jinmao Property Services Co., Limited | 816 | The provision of property management services, value-added services to non-property owners and community value-added services. | 3,860.9 | 1,359.6 | 219.1 | 17.6 |
| Shimao Services Holdings Limited | 873 | The provisions of property management services, community value-added services, value-added services to non-property owners and city services in the PRC. | 7,602.0 | 11,059.5 | 1,489.1 | 5.1 |
| Jiayuan Services Holdings Limited | 1153 | The provision of property management services, value-added services to property developers and community value-added services in the PRC. | 354.8 | 814.0 | 127.5 | 2.8 |
| China Resources Mixc Lifestyle Services Limited | 1209 | The provision of residential property management services and commercial operational and property management services in the PRC. | 100,658.3 | 16,723.2 | 2,112.2 | 47.7 |

| Company name | Stock code | Principal business | Market capitalisation as at the Acquisition Date (HK$ million) | Net asset value attributable to owners of the company (Note 1) (HK$ million) | Net profit attributable to owners of the company (Note 2) (HK$ million) | P/E Ratio as at the Acquisition Date |
|---|---|---|---|---|---|---|
| Riverine China Holdings Limited | 1417 | The provision of property management services in the PRC. | 239.0 | 440.6 | 64.8 | 3.7 |
| Sunac Services Holdings Limited | 1516 | The provision of property management services, value-added services to non-property owners, community living services and commercial operational services in the PRC. | 14,336.6 | 8,777.3 | 1,662.4 | 8.6 |
| Yincheng Life Service Co., Ltd. | 1922 | The provision of property management and value-added services for the living community. | 761.4 | 359.9 | 116.0 | 6.6 |
| Landsea Green Life Service Company Limited | 1965 | The provision of property management services, community value-added services and value added services to non-property owners in the PRC. | 1,088.5 | 462.6 | 71.4 | 15.3 |
| First Service Holding Limited | 2107 | The provision of property management services, services in the area of green living solutions and value-added services. | 570.0 | 760.7 | 41.1 | 13.9 |
| Suxin Joyful Life Services Co., Ltd. | 2152 | The city service and property management service provider deeply rooted in the Yangtze River Delta Region, especially in Suzhou. | 187.5 | 681.2 | 69.2 | 2.7 |
| C&D Property Management Group Co., Ltd. | 2156 | The provision of property management services, community value-added and synergy services and the value-added services to non-property owners in the PRC. | 5,799.4 | 1,321.0 | 196.9 | 29.5 |
| Ling Yue Services Group Limited | 2165 | The provision of property management services, value-added services to non-property owners and community value-added services. | 202.8 | 497.7 | 92.0 | 2.2 |
| Kaisa Prosperity Holdings Limited | 2168 | The provision of property management services, which includes management of properties, maintenance and repair of buildings and ancillary facilities, community security management, car-park management, equipment installation, and property consulting services. | 579.5 | 1,577.9 | 83.4 | 7.0 |
| Ronshine Service Holding Co., Ltd. | 2207 | The provision of property management services and related value-added services, including pre-delivery services, household assistance service, sales services and other services, in the PRC. | 2,134.0 | 855.7 | 146.2 | 14.6 |
| Beijing Capital Jiaye Property Services Co., Limited | 2210 | The provision of property management and related services in the PRC. | 115.5 | 868.1 | 103.0 | 1.1 |
| Dexin Services Group Limited | 2215 | The provision of property management services, value-added services to non-property owners and community value-added services in the PRC. | 2,918.4 | 1,072.7 | 134.7 | 21.7 |
| Dowell Service Group Co., Limited | 2352 | The provision of property management services and related value-added services in the PRC. | 132.2 | 528.9 | 159.3 | 0.8 |
| Lushang Life Services Co., Ltd. | 2376 | The provision of property management services, community value-added services and value-added services to non-property owners in the PRC. | 79.0 | 398.7 | 94.2 | 0.8 |
| China Overseas Property Holdings Limited | 2669 | The provision of property management services and value-added services to non-residents and residents; and the trading of car parking spaces. | 30,765.0 | 3,758.3 | 1,207.4 | 25.5 |
| Greentown Service Group Co., Ltd. | 2869 | The provision of property services, community living services, consulting services and technology services. | 18,094.5 | 8,885.9 | 1,089.3 | 16.6 |
| Binjiang Service Group Co., Ltd. | 3316 | The provision of property management services, value-added services to non-property owners and 5S value-added services. | 5,970.4 | 1,240.1 | 397.7 | 15.0 |
| KWG Living Group Holdings Limited | 3913 | The provision of (i) residential property management services; and (ii) non-residential property management and commercial operational services. | 3,832.5 | 4,424.1 | 837.4 | 4.6 |

| Company name | Stock code | Principal business | Market capitalisation as at the Acquisition Date *(HK$ million)* | Net asset value attributable to owners of the company *(Note 1)* *(HK$ million)* | Net profit attributable to owners of the company *(Note 2)* *(HK$ million)* | P/E Ratio as at the Acquisition Date |
|---|---|---|---|---|---|---|
| Hevol Services Group Co., Limited | 6093 | The provision of property management services and related value-added services in the PRC. | 2,072.0 | 781.4 | 132.9 | 15.6 |
| Country Garden Services Holdings Company Limited | 6098 | The provision of property management services, community value-added services, value-added services to non-property owners, heat supply services, city services and commercial operational services in the PRC. | 72,943.4 | 47,124.6 | 5,322.4 | 13.7 |
| Sino-ocean Service Holdings Limited | 6677 | The provision of property management and commercial operational services, community value-added services and value-added services to non-property owners in the PRC. | 2,900.8 | 3,053.0 | 540.0 | 5.4 |
| Jinke Smart Services Group Co., Ltd. | 9666 | The provision of space property management services, community value-added services, local catering services and smart living technology solutions in the PRC. | 9,884.1 | 8,925.2 | 1,317.7 | 7.5 |
| Xingye Wulian Service Group Co., Ltd. | 9916 | The provision of property management and value-added services, and property engineering services. | 320.0 | 457.0 | 66.7 | 4.8 |
| Times Neighborhood Holdings Limited | 9928 | The provision of property management services, community value-added services, value-added services to non-property owners and professional services. | 1,163.1 | 2,272.4 | 408.9 | 2.8 |
| Central China New Life Limited | 9983 | The provision of (i) property management and value-added services; (ii) lifestyle services; and (iii) commercial property management and consultation services in the PRC. | 4,188.4 | 3,524.6 | 799.6 | 5.2 |
| | | | **Maximum** | | | 47.7 |
| | | | **Minimum** | | | 0.8 |
| | | | **Average** | | | 11.0 |
| | | | **Median** | | | 7.0 |
| **Target Company** | | | | | | **8.2** *(Note 3)* |

*Source: the website of the Stock Exchange and the respective interim/annual results announcement or report of the Valuation Comparables*

*Notes:*

1. For illustration purposes only, RMB has been translated at RMB1 to HK$1.17.

2. For illustration purposes only, RMB has been translated at RMB1 to HK$1.22.

3. The P/E Ratio of the Target Company implied by the Acquisition is derived from the consideration of RMB430 million divided by the net profit of the Target Company for the year ended 31 December 2022.

We noted that the implied P/B Ratio of the Target Company is approximately 1.7 times as calculated by the Consideration of approximately RMB430 million divided by the net asset value of approximately RMB252.6 million. Considering the Target Company is not a solely asset holding company and the profitability is a primary indicator affecting the value of it, we discussed with the Valuer and we concurred that the P/B Ratio is considered not appropriate for the Valuation since the Target Company is not a solely asset holding company and has its value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities; and (ii) the P/E Ratio reflects the significant business and profitability of the Target Company and therefore considered to be appropriate for assessment of the Consideration. Please refer to below for the analysis on the P/E Ratio.

As the P/E Ratio is a commonly used valuation method for the assessment of companies' value with profitable businesses and P/B Ratio is usually adopted in the valuation of asset-intensive companies without taking into consideration of the profitability of a company. Given (i) the Target Company's business is profit-making; and (ii) the Target Croup is engaged in property management industry, a relatively asset-light industry, we consider that P/E Ratio is more appropriate to justify the conclusion. Based on the publicly available information, the P/E Ratios of the Valuation Comparables as at the Acquisition Date, ranged from approximately 0.8 times to approximately 47.7 times, with the average and median of approximately 11.0 times and 7.0 times, respectively. The Target Company's implied P/E Ratio of approximately 8.2 times falls within the range and is lower than the average P/E Ratio of the Valuation Comparables as at the Acquisition Date. The Target Company's implied P/E Ratio of approximately 8.2 times is slightly higher than the median P/E Ratio of the Valuation Comparables as at the Acquisition Date. We noted that the range of the implied P/E Ratio are wide and considered that the Target Company's implied P/E Ratio of approximately 8.2 times is slightly higher than the median but still falls within the range and is lower than the average P/E Ratio of the Valuation Comparables. We adopted the average of approximately 11.0 times as a more appropriate indicator for the valuation of Target Company. As average is usually the preferred measure to include all data meanwhile median is usually the preferred measure of central tendency when the distribution is not symmetrical. We did not consider any outliers for the Valuation Comparables as all the Valuation Comparables meet the aforesaid criteria. We are of the view that the implied P/E Ratio is in line with prevailing market. Therefore, we consider that the Consideration of the Acquisition is fair and reasonable.

Given that (i) the implied P/E Ratio of the Target Company falls within the range and is lower than the average P/E Ratio of the Valuation Comparables; (ii) the reasons and benefits under above section headed "Reasons for and benefits of the Acquisition"; and (iii) our analysis on the Consideration under above section headed "Analysis on the Consideration", we consider that the Consideration of the Acquisition is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

**6. Financial effects of the Acquisition**

As disclosed in the Letter from the Board, as a result of the Acquisition, the Target Company will become a 100% wholly-owned subsidiary of the Company, and its financial statements will be consolidated into the financial statements of the Group. Please refer to Appendix IV to the Circular for more information on the basis of preparation of the unaudited pro forma financial information of the Enlarged Group. The unaudited pro forma financial information of the Enlarged Group has been prepared based on the judgments and assumptions of the Directors for illustrative purposes only.

***Earnings***

For the year ended 31 December 2021, the consolidated net profit of the Group was approximately HK$57.6 million. Upon the Completion, the results of the Target Group would be consolidated with the Company. As set out in the accountants' report of the Target Company for the year ended 31 December 2022 in Appendix II to the Circular, the Target Group recorded a net profit after tax of approximately RMB52.6 million.

***Assets and liabilities***

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, which is prepared as if the Acquisition had taken place on 30 June 2022 to illustrate the effect of the Acquisition, it is expected that the total assets of the Enlarged Group would decrease from approximately HK$2,812.1 million to approximately HK$2,555.0 million and the total liabilities of the Enlarged Group would increase from approximately HK$585.6 million to approximately HK$627.6 million. As a result, the total consolidated net assets would decrease from approximately HK$2,226.6 million as at 30 June 2022 to approximately HK$1,927.4 million given that the condition precedent of distribution of dividend by the Target Group in the amount of RMB220 million is done at the completion and settlement of account receivable from related parties in the amount of approximately RMB47.2 million.

***Liquidity***

As at 30 June 2022, the Group's cash and cash equivalent is approximately HK$541.1 million. It is expected that the Group's cash and cash equivalent would be reduced as a result of the Acquisition.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular, the cash and cash equivalent of the Enlarged Group will be reduced from approximately HK$586.9 million to approximately HK$212.1 million. Accordingly, the Enlarged Group's net current assets would decrease from approximately HK$1,281.8 million to approximately HK$517.1 million. The current ratio (being current assets over current liabilities) would also drop from approximately 3.86 times to approximately 2.15 times. Before the Acquisition, the net cash (being pledged deposits and cash and cash equivalents less borrowings and litigation deposit) was approximately HK$443.3 million. Upon the Completion, after consolidating the financial position of the Target Group, the Enlarged Group's net cash is expected to be approximately HK$114.3 million.

The above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group would be after the Acquisition.

## VI. RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the opinion that the Acquisition Agreement is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and although the Acquisition is not in the ordinary and usual course of business of the Group, the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Acquisition and the transactions contemplated thereunder at the SGM.

Yours faithfully
For and on behalf of
**Red Sun Capital Limited**
**Robert Siu**
*Managing Director*

*Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 24 years of experience in corporate finance industry.*

* *For identification purpose only*

## I. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange at *www.hkexnews.hk* and the Company's website at *www.newsilkroad472.com*:

- Annual report of the Company for the year ended 31 December 2019 published on 14 May 2020 (pages 73 to 186) at *http://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400735.pdf*;

- Annual report of the Company for the year ended 31 December 2020 published on 15 April 2021 (pages 74 to 170) at *https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500299.pdf*;

- Annual report of the Company for the year ended 31 December 2021 published on 14 April 2022 (pages 76 to 164) at *https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0414/2022041400978.pdf*; and

- Interim report of the Company for the six months ended 30 June 2022 published on 27 September 2022 (pages 2 to 26) at *https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0927/2022092700914.pdf*.

## II. INDEBTEDNESS STATEMENT

### Borrowings

As at 28 February 2023, the borrowings of the Enlarged Group amounted to approximately HK$67.95 million, and comprised of (i) amounts due to related parties of approximately HK$0.26 million; (ii) amount due to non-controlling shareholders of subsidiaries approximately HK$10.51 million; (iii) secured borrowings of approximately HK$56.78 million; and (iv) other borrowings of approximately HK$0.40 million.

### Lease Liabilities

As at the close of business on 28 February 2023, the total lease liabilities of the Enlarged Group amounted to approximately HK$59.57 million which is only payable throughout the leasing periods or upon the termination of leases depending on the negotiation with landlords.

### Contingent liabilities

As at the close of business on 28 February 2023, the Enlarged Group did not have any contingent liabilities.

Save as disclosed in this circular and apart from intra-group liabilities, the Enlarged Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 28 February 2023, being the latest practicable date for the Enlarged Group's indebtedness statement. Since 28 February 2023 and up to the Latest Practicable Date, there has not been any material adverse change in the Enlarged Group's indebtedness and contingent liabilities.

## III. WORKING CAPITAL STATEMENT

The Directors confirm that, after due and careful enquiry and taking into consideration the financial resources available to the Enlarged Group, including banking facilities and other internal resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for at least the next 12 months commencing from the date of this circular.

## IV. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, save for (i) a probable decrease in revenue as less apartments will be delivered under the Project; and (ii) the increase in loss due to an impairment of the land in the Glorious Hill project, there was no material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

## V. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in the (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate in Australia; (iii) production and distribution of wine in the PRC; and (iv) operation of entertainment business in South Korea.

In 2021, although the COVID-19 epidemic continued to run rampant, the global economy began to recover gradually from the huge impact of the COVID-19 epidemic. Under the strong leadership of the Chinese central government, China not only took the lead in controlling the spread of the epidemic, but also took the lead in realizing economic recovery, and maintained its economic growth momentum in the past year, achieving the dual goals of higher growth and lower inflation with the good economic development momentum.

The Group's wine business was benefited and driven by China's effective control of the epidemic and China's domestic economic recovery. The Group has plantation and production plants in Shangri-La Economic Development Zone, Diqing Tibetan Autonomous Prefecture, Yunnan Province, and Lulong County, Qinhuangdao City, Hebei Province in the through which, Shangri-La wine and grape distilled wine, Dazangbi formulated wine (highland barley and wine), Qinghai-Tibet Plateau liquor, and a small amount of brandy and whiskey are manufactured. The Group's winery products are sold through a wide range of distribution channels such as distributors, large supermarket chains, online e-commerce, and group buying customers etc. The revenue from the wine business for the year ended 31 December 2021 (the "**Year**") fell by only 4% to HK$112.4 million (2020: HK$117.2 million). However, due to the new product replenishing sales model adopted last year, the gross profit of the wine business for the Year increased sharply this year, achieving a net profit of about HK$9.4 million. In keeping with what Shangri-La Wine re-branded last year, it adjusted its business strategy in a timely manner to activate the post-epidemic retaliatory high-end consumption with a clean-up model. The wine business is expected to remain a major part of the Group's total revenue, for which we will strive to promote revenue generation and review the feasibility of restructuring the existing business structure, for example, by potentially expanding into accepting commission orders from clients to grow grapes and/or manufacturing winery products for customers, to be ready to respond to market changes, in addition to the manufacturing and sale of winery products under self-owned brands of the Group. As at the Latest Practicable Date, such restructuring plan is only in a feasibility study stage and has not yet materialised. In the first half of 2022, The Group's winery business in Mainland China was constrained by China's epidemic prevention and control measures in the six months ended 30 June 2022, but the situation was still stable, with a period-to-period revenue drop of only 4.6%. We expect that the wine business will gradually recover and even grow in the second half of the year amid the epidemic.

Among the two businesses of the Group in Jeju, South Korea, the development project of Glorious Hill (in addition to the existing golf land and hotel which were already existing at the time of acquisition of Glorious Hill by the Group in 2015) has not been able to start the construction of the new resort due to project financing obstacles, and the entertainment business has been suspended since January 2020 to December 2022 in order to cooperate with the local government's epidemic prevention work. Since 2019, the Group has been leasing the golf land and hotel for rental income and has booked such rental income of approximately HK$0.98 million, HK$0.97 million and HK$1.07 million under other income as published in the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021 respectively.

As at the Latest Practicable Date, the entertainment business has resumed albeit at a low level due to the lingering impact of COVID-19 restrictions on tourism. The Group will respond prudently and will adjust the business strategy of the Group's South Korean business as appropriate, including but not limited to considering the potential disposal or divestment of all or part of the entertainment business and seeking equity financing from part of the Glorious Hill project in order to start the construction of the resort with estimated cost over HK$2 billion, which the Group hopes to commence by the end of 2023 subject to financing being successfully obtained. As at the Latest Practicable Date, there are 4 separately identifiable and designated assets in the Korean business, which are namely the Construction-In-Process, the golf lands, the hotel properties on the golf lands and the gaming licence, which individually contributed to 16.9%, 8.0%, 4.0% and 6.2% respectively of the assets of the Group as at 30 June 2022.

The Sydney Opera Residences Project was substantially completed with the delivery of most of the residential apartments on schedule in December 2021. The relevant revenue of approximately HK$2,489.3 million and the relevant gross profit of HK$499.6 million have been recognized in the financial results for the Year. After the repayment of about HK$1.7 billion of the Australian project development loan, there are more than HK$620 million equivalent of cash and more than HK$540 million equivalent of sustainable real estate and commercial properties in the Group. It is expected that this part will continue to boost a better performance in 2022 in terms of greater income and return on investment. During the six months ended 30 June 2022, eight of the remaining fifteen apartments in the Project carried from the year-end of 2021 were successively delivered with a revenue of approximately HK$202.4 million and related gross profit of HK$35.1 million in the financial statements for the six months ended 30 June 2022. As at the Latest Practicable Date, 4 apartments and a boutique mall of 980 square meters remained unsold. Upon completion of the sale of the remaining apartments and boutique mall (which the Group will aim to sell as a whole instead of individual units in the mall), the Sydney Opera Residences Project will be completed. While the Group will continue to look for opportunities for its property development business, there is no plan to construct or develop new properties currently as at the Latest Practicable Date, whether under the Sydney Opera Residences Project or otherwise, as the Company is minded not to make a substantial amount for investment in property development at the moment until the business environment for property development become more favourable in view of the rising financing costs as a result of the general increasing trend of market interest rates.

As the successful delivery of the project in Australia laid the foundation for the Group to turn losses into profits during the Year, the overall revenue of the Group for the Year increased sharply by 2,113.3% to HK$2,601.7 million (2020: HK$117.6 million), and a profit of HK$57.6 million (2020: loss of HK$114.3 million) was recorded. Profit attributable to shareholders of the Company was HK$61.9 million (2020: loss of HK$92.0 million). Basic profit per share was HK1.93 cents (2020: loss of HK2.87 cents). As at 31 December 2021, the Group had total assets and net assets valued at HK$2,766.8 million and HK$2,141.6 million respectively. As in the six months ended 30 June 2022, (i) the revenue from winery business decreased by 4.60% to HK$47.7 million (for the six months ended 30 June 2021: HK$50.0 million), (ii) the Australian Project recognized revenue of approximately HK$202.4 million (for the six months ended 30 June 2021: Nil), total revenue for the six months ended 30 June 2022 increased largely by 400.0% to approximately HK$250.1 million (for the six months ended 30 June 2021: HK$50.0 million). However, due to the impairment loss of the Glorious Hill resort land in Jeju, South Korea, approximately HK$103.6 million (for the six months ended 30 June 2021: Nil) and the accrual of under-provision in prior year income tax expenses of approximately HK$18.1 million in the Australian Project (for the six months ended 30 June 2021: Nil), the Group recorded loss of approximately HK$123.4 million (for the six months ended 30 June 2021: loss of HK$14.6 million). Loss attributable to shareholders of the Company was HK$73.3 million (for the six months ended 30 June 2021: loss of HK$11.8 million); Basic loss per share was HK2.29 cents (for the six months ended 30 June 2021: loss of HK0.37 cents). As at 30 June 2022, the Group had total assets and net assets valued at HK$2,267.4 million and HK$1,930.7 million respectively.

Despite the huge pressure brought by the rebound of the COVID-19 epidemic and changes in the domestic and foreign economic environment, the PRC's strong ability to prevent and control the epidemic, strong economic resilience, sufficient potential, and long-term positive fundamentals have not changed, and the economy will continue to grow steadily. It is believed that the Group's wine business will continue to flourish. In addition, in both domestic and foreign market, fixed asset investment will still be the "ballast stone" for the smooth operation of the economy, especially when governments of various countries need to boost the local economy and accelerate the return of excessive monetary liquidity issued during the epidemic. Stable asset investment, being the mainstay of GDP, will still be favored by consumers, and it is expected that overseas real estate and cultural-tourism will return to normal operations. The Group will continue to take innovative ideas as its advantages, rely on financial stability, take diversified development as its orientation, and give back to the society. It will open up new opportunities in the changing situation, maintain high-quality development, and continue to provide customers with better products and services and outstanding achievements to create higher value for the development of cultural tourism and the urban-planning.

Looking ahead, the Group will continue to strive for business growth and seize opportunities in order to bring greater returns to the Shareholders. On 4 January 2023, the Group entered into the Acquisition Agreement to acquire 100% of the equity interest of the Target Company, being the indirect holding company of a group of property management companies under the brand name "Yuehao Property Management（悅豪物業管理）". The Acquisition, if completed, is expected to provide the Company with an opportunity to expand its property related businesses into property management in the PRC under an established brand name. Details of the acquisition are disclosed in the Letter from the Board in this circular.

The Target Group has a strong operating cash flow-in before movement in working capital, it is expected that the Target Group would be able to sustain its own cash sufficiency for its future development. Also, it is expected that the outflows of cash to fund the related parties would be terminated after Completion from the dividend of CNY 220 million to Vendor and the one-off settlement of approximately CNY 47.23 million for "the amount due from the related parties" from the related partied before the Completion.

Upon the Completion, after consolidating the financial position of the Target Group, the Enlarged Group's net cash is expected to be approximately HK$114.29 million and it is able to enjoy both the high profit & high cash flow-in from the property management services, the high reputation from the Shangri-La Winery in PRC and The Opera Residence in Australia, and finally the high capital gain from the appreciation of resort land in Jeju, South Korea held by the Group.

*The following to the text of a report set out on page II-1 to II-47, received from the reporting accountants of the Company, CCTH CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the circular.*

CCTH CPA LIMITED
中正天恆會計師有限公司

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEW SILKROAD CULTRUALTAINMENT LIMITED**

**Introduction**

We report on the historical financial information of Beijing Chaolaichaowang Culture Media Company Limited (「北京潮來潮往文化傳媒有限公司」) (the "**Target Company**") and its subsidiaries, (collectively referred to as the "**Target Group**") set out on pages II-5 to II-47 which comprises the combined statements of financial position as at 31 December 2020, 2021 and 2022, the statement of financial position of the Target Company as at 31 December 2021 and 2022, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the year ended 31 December 2020, 2021 and 2022 (together 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-5 to II-47 forms an integral part of this report, which has been prepared for inclusion in the circular of New Silkroad Cultrualtainment Limited (the "**Company**") dated 22 March 2023 (the "**Circular**") in connection with the major and connected transaction in relation to the acquisition of 100% of equity interest in the Target Company.

**Director's responsibilities for the historical financial information**

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

**Reporting accountants' responsibility**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, 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 of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2020, 2021 and 2022, the statement of financial position of the Target Company as at 31 December 2021 and 2022, and of the Target Group's 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 and The Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

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

**Dividends**

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

**CCTH CPA Limited**
Certified Public Accountants
Hong Kong

Ng Kam Fai
Practising Certificate Number P06573
22 March 2023

Unit 1510-1517, 15/F., Tower 2,
Kowloon Commercial Centre,
No. 51 Kwai Cheong Road, Kwai Chung,
New Territories, Hong Kong

## I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

### Preparation of the Historical Financial Information

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

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

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

## COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2021 | 2022 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue | *7* | 320,700 | 388,462 | 369,954 |
| Cost of revenue | | (238,841) | (280,497) | (263,362) |
| Gross profit | | 81,859 | 107,965 | 106,592 |
| Other revenue, gains and losses | *8* | 4,771 | 3,161 | 4,773 |
| Administrative and other operating expenses | *9* | (36,610) | (43,492) | (43,296) |
| Changes in fair value of investment property | *14* | – | (130) | (160) |
| Impairment loss under expected credit loss model | | (2,888) | (3,077) | (6,054) |
| Finance cost | *23* | (69) | (278) | (213) |
| Profit before taxation | | 47,063 | 64,149 | 61,642 |
| Income tax | *10* | (11,758) | (14,793) | (9,019) |
| Profit for the year | | 35,305 | 49,356 | 52,623 |
| Other comprehensive income: | | | | |
| Revaluation gain, net of tax, on the transfer of the fixed asset to investment property | | 3,512 | – | – |
| Profit and total comprehensive income for the year | | 38,817 | 49,356 | 52,623 |

## COMBINED STATEMENT OF FINANCIAL POSITION

| | | As at 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2021 | 2022 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | *13* | 3,273 | 4,516 | 3,521 |
| Investment property | *14* | 8,290 | 8,160 | 8,000 |
| Right-of-use assets | *15* | 233 | 3,482 | 1,741 |
| Intangible assets | *16* | 1,473 | 1,267 | 1,048 |
| Deferred tax assets | *10* | 1,774 | 2,542 | 3,987 |
| **Total non-current assets** | | 15,043 | 19,967 | 18,297 |
| **CURRENT ASSETS** | | | | |
| Inventories | | 20,483 | 10,675 | 10,109 |
| Trade receivables | *17* | 28,674 | 45,901 | 60,934 |
| Prepayments, deposits and other receivables | | 4,008 | 2,871 | 3,798 |
| Amounts due from related parties | *18* | 222,422 | 285,292 | 332,790 |
| Cash and bank | *19* | 42,993 | 38,170 | 39,137 |
| **Total current assets** | | 318,580 | 382,909 | 446,768 |
| **Total assets** | | 333,623 | 402,876 | 465,065 |
| **CURRENT LIABILITIES** | | | | |
| Trade payables | *20* | 50,178 | 58,465 | 99,582 |
| Accruals and other payables | *21* | 57,958 | 64,529 | 52,052 |
| Contract liabilities | *22* | 42,894 | 41,369 | 37,215 |
| Amounts due to related parties | *18* | 23,781 | 21,076 | 10,078 |
| Lease liabilities | *23* | 334 | 2,126 | 2,234 |
| Current tax liabilities | | 6,650 | 11,834 | 10,020 |
| **Total current liabilities** | | 181,795 | 199,399 | 211,181 |
| **Net current assets** | | 136,785 | 183,510 | 235,587 |
| **Total assets less current liabilities** | | 151,828 | 203,477 | 253,884 |
| **NON-CURRENT LIABILITIES** | | | | |
| Lease liabilities | *23* | – | 2,127 | – |
| Deferred tax liabilities | *10* | 1,204 | 1,370 | 1,281 |
| **Total non-current liabilities** | | 1,204 | 3,497 | 1,281 |
| **Total liabilities** | | 182,999 | 202,896 | 212,462 |
| **NET ASSETS** | | 150,624 | 199,980 | 252,603 |
| **CAPITAL AND RESERVES** | | | | |
| Share capital | *24* | 430,000 | 430,000 | 430,000 |
| Reserves | *25* | (279,376) | (230,020) | (177,397) |
| **TOTAL EQUITY** | | 150,624 | 199,980 | 252,603 |

## STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

| | | As at 31 December | |
|---|---|---|---|
| | | **2021** | **2022** |
| | *Note* | *RMB'000* | *RMB'000* |
| **NON-CURRENT ASSET** | | | |
| Investment in a subsidiary | | – | 430,000 |
| Net asset | | – | 430,000 |
| EQUITY | | | |
| Share capital | *24* | – | 430,000 |
| Reserve | | – | – |
| **TOTAL EQUITY** | | – | 430,000 |

*Note:* The Target Company was incorporated on 26 September 2021 and it was dormant during 2021.

## COMBINED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Retained Earnings | Statutory Reserve | Revaluation Reserve | Merger Reserve | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 24)* | *(Note 25)* | *(Note 25)* | *(Note 25)* | *(Note 25)* | |
| At 31 January 2020 | 430,000 | 85,194 | 6,613 | – | (410,000) | 111,807 |
| Profit and total comprehensive income for the year | – | 35,305 | – | 3,512 | – | 38,817 |
| Transfer to statutory reserve | – | (3,387) | 3,387 | – | – | – |
| At 31 December 2020 and 1 January 2021 | 430,000 | 117,112 | 10,000 | 3,512 | (410,000) | 150,624 |
| Profit and total comprehensive income for the year | – | 49,356 | – | – | – | 49,356 |
| At 31 December 2021 and 1 January 2022 | 430,000 | 166,468 | 10,000 | 3,512 | (410,000) | 199,980 |
| Profit and total comprehensive income for the year | – | 52,623 | – | – | – | 52,623 |
| At 31 December 2022 | 430,000 | 219,091 | 10,000 | 3,512 | (410,000) | 252,603 |

## COMBINED STATEMENT OF CASH FLOW

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2020 | 2021 | 2022 |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* |
| Net cash used in operating activities | *30* | (32,241) | (3,910) | (3,570) |
| **INVESTING ACTIVITIES** | | | | |
| Interest received | | 209 | 101 | 65 |
| Purchase of property, plant and equipment | | (1,090) | (2,793) | (618) |
| Purchase of intangible assets | | (25) | (17) | (50) |
| Net cash used in investing activities | | (906) | (2,709) | (603) |
| **FINANCING ACTIVITIES** | | | | |
| Interest paid | | (69) | (278) | (213) |
| Repayment of lease liabilities | | (1,054) | (1,303) | (2,019) |
| Net cash used in financing activities | | (1,123) | (1,581) | (2,232) |
| Net decrease in cash and cash equivalent | | (34,270) | (8,200) | (6,405) |
| Cash and cash equivalent at beginning of the year | | 77,263 | 42,993 | 34,793 |
| Cash and cash equivalent at end of the year | | 42,993 | 34,793 | 28,388 |

## 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 26 September 2021. Its registered office and its principal place of business is located at 北京市順義區李魏路宣莊戶段8號院18號樓-2層至2層101內1層、2層.

The Target Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services in Mainland China.

As of the date of this report, the Target Company has direct or indirect interests in the following entity:

| Name of subsidiaries in Chinese | Place and date of incorporation and place of operation | Registered share capital RMB | Percentage of equity interest attribute to the Target Company, directly or indirectly during relevant period 2020 | | 2021 | | 2022 | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | Direct | Indirect | Direct | Indirect | |
| 北京悦豪物業管理有限公司 | PRC 27 March 2000 | 50,000,000 | 100% | | 100% | | 100% | | Property Management and investment holding |
| 湖南悦豪物业管理有限公司 | PRC 2 August 2005 | 3,000,000 | | 100% | | 100% | | 100% | Property Management |
| 黄山悦豪物业管理有限公司 | PRC 14 October 2010 | 500,000 | | 100% | | 100% | | 100% | Property Management |
| 唐山悦豪物业服务有限公司 | PRC 9 June 2011 | 500,000 | | 100% | | 100% | | 100% | Property Management |
| 惠州大亚湾悦豪物业管理有限公司 | PRC 11 April 2012 | 500,000 | | 100% | | 100% | | 100% | Property Management |
| 北京悦雅商业管理有限公司 | PRC 18 July 2012 | 500,000 | | 100% | | 100% | | 100% | Property Management |
| 青海悦豪物业管理有限公司 | PRC 28 February 2013 | 5,000,000 | | 100% | | 100% | | 100% | Property Management |
| 大庆悦豪物业管理有限公司 | PRC 24 April 2013 | 500,000 | | 100% | | 100% | | 100% | Property Management |
| 內蒙古悦豪物业管理有限公司 | PRC 5 September 2013 | 3,000,000 | | 100% | | 100% | | 100% | Property Management |
| 湖北新华联悦豪物业管理有限公司 | PRC 29 September 2013 | 1,100,000 | | 100% | | 100% | | 100% | Property Management |
| 宁夏悦豪物业管理有限公司 | PRC 8 October 2013 | 1,100,000 | | 100% | | 100% | | 100% | Property Management |
| 長春悦豪城市物業管理有限公司 | PRC 4 July 2019 | 1,000,000 | | 100% | | 100% | | 100% | Property Management |
| 海南樂多物業服務有限公司 | PRC 6 March 2021 | 5,000,000 | | 0% | | 100% | | 100% | Property Management |
| 北京悦醇建設有限公司 | PRC 14 March 2022 | 10,000,000 | | 0% | | 0% | | 100% | Construction |

No audited financial statements have been prepared for Target Company and its subsidiaries for the years ended 31 December 2020, 2021 and 2022, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

**2. Basis of preparation and presentation**

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and interpretations (hereinafter collectively referred to as the "**HKFRSs**") 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, except for the investment property which is accounted for under fair value basis, 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 the accounting period beginning from 1 January 2022 together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Period.

The preparation of Historical Financial Information 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 Group'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.

On 26 December 2022, the 100% equity interest of Beijing Yuehao Property Management Co., Ltd. ("**Beijing Yuehao**") was transferred to the Target Company (the "**Reorganisation**") at the consideration of RMB430,000,000. Immediately prior to and after the Reorganisation, the Target Company has not involved in any business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a restructuring where the ultimate shareholder of Beijing Yuehao has not been changed. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of Beijing Yuehao, using the carrying values of the assets, liabilities, and operating results of Beijing Yuehao for all years presented.

All intra-group transactions and balances have been eliminated on combination.

### 3. Impact on issued but not yet effective HKFRSs

Up to the date of issue of this report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the annual period beginning on 1 January 2023 and which have not been early adopted in this Historical Financial Information.

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRs 17) | Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sales or Contribution of Assets between an Investor and its Associate and Joint Venture[2] |
| Amendments to HFRS 16 | Lease Liability in a Sale and Leaseback[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current[1] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[1] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or 1 January 2024.

The sole director of the Target Company anticipates that the application of these new and amendments to HKFRSs, which are not yet effective, will have no material impact on the financial statements in the foreseeable future.

### 4. Significant accounting policies

#### *(a) Subsidiaries*

A subsidiary is an entity, directly or indirectly, controlled by the Target Company. Control is achieved when the Target Company:

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

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

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

*Basis of combination*

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

***(b) Revenue recognition***

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

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

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

– the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;

– the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or

– the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

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

The Target Group provides certain value-added services to its customers, which involves the principal versus agent assessment. The Target Group follows the accounting guidance for principal-agent considerations to assess whether the Target Group controls the specified goods and service before it is transferred to the customer, the indicators of which including but not limited to: (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified goods and service; (b) whether the entity has inventory risk before the specified goods and service has been transferred to a customer; (c) whether the entity has discretion in establishing the prices for the specified service; and (d) whether the entity has discretion in selecting suppliers. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on different circumstances.

*Contract assets and liabilities*

A contract asset represents the Target Group's right to consideration in exchange for services that the Target Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Target Group'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 Group's obligation to transfer services to a customer for which the Target Group 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 Group 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.

### *(c) 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 Group 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 Group's business model for managing the asset and the cash flow characteristics of the asset. The Target Group 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 Group 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 Group 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 Group in accordance with the contract and all the cash flows that the Target Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Target Group performs impairment assessment under ECL model on trade receivables individually or based on provision matrix.

Except for customers with significant balances or credit-impaired, which are assessed for impairment individually, the Target Group used provision matrix to calculate the ECL for its trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Target Group's historical observed default rates. The Target Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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 Group 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, amounts due to related parties 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 Group 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.

### *(d) Impairment of non-financial assets*

At the end of each reporting periods, the Target Group reviews the carrying amounts of property, plant and equipment, and intangible assets 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.

### *(e) 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:

| | |
|---|---|
| Leasehold improvement | Over the lease-terms |
| Motor vehicle | 6 years |
| Office furniture and equipment | 4-10 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.

***(f) Intangible assets***

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives ranged from two to ten years.

***(g) Investment properties***

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gain or loss arising from changes in the fair value of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gain or loss on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

***(h) 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 Group's cash management.

***(i) Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

***(j) 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.

***(k) Employees 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) Lease*

*Definition of a lease*

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 "Lease" at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Target Group reasonably expects that the effects on the combined financial statements would not differ materially from individual leases within the portfolio.

*The Target Group as a lessee*

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and

- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Target Group presents right-of-use assets as a separate line item on the combined statement of financial position.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising an option to terminate the lease.

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

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

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

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Target Group presents lease liabilities as a separate line item on the combined statement of financial position.

Lease modifications

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

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

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

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

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

***(m) Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

***(n) Provisions and contingent liabilities***

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group 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.

***(o) Related parties***

(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.

***(p) Fair value measurement***

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

## 5. Key sources of estimation uncertainty and judgement

In the application of the Target Group's accounting policies, which are described in note 4, the sole director of the Target Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *(a) Expected credit loss on trade receivables.*

The Target Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Target Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and doubtful debt expenses in the periods in which such estimate has been changed.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the companies engaged in the Target Group. Where trade receivables have been written off, the Target Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

***(b) Current and deferred income tax***

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

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

Deferred tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences can be utilised. The outcome of their actual utilisation may be different.

**6. Operating segment information**

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

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

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

## 7. Revenue

Revenue mainly comprises of proceeds from property management services, other ancillary services and sales of parking space. An analysis of the Target Group's revenue by category for the Relevant Period is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Property management services | 306,269 | 359,981 | 346,494 |
| Other ancillary services | 14,431 | 14,413 | 21,191 |
| Sales of parking space | – | 14,068 | 2,269 |
| | 320,700 | 388,462 | 369,954 |

## 8. Other revenue, gains and losses

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest income | 209 | 101 | 65 |
| Rental income from investment property | 132 | 401 | 413 |
| Government grants and subsidies | 3,413 | 2,619 | 4,095 |
| Loss on disposal of property, plant and equipment | (97) | (98) | (2) |
| Compensation from supplier for the breach of contract | 787 | – | – |
| Other income | 327 | 138 | 202 |
| | 4,771 | 3,161 | 4,773 |

## 9. Administrative and other operating expenses

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Staff wages and benefits | 29,088 | 34,829 | 34,867 |
| Travel expenses | 4,233 | 4,496 | 4,346 |
| Depreciation of property, plant and equipment | 804 | 875 | 720 |
| Depreciation of right-to-use asset | 1,118 | 1,973 | 1,741 |
| Amortization of intangible asset | 242 | 223 | 269 |
| Professional fee | 331 | 331 | 482 |
| Other taxes and stamp duties | 257 | 174 | 277 |
| Bank charges | 510 | 505 | 482 |
| Other | 27 | 86 | 112 |
| | 36,610 | 43,492 | 43,296 |

## 10. Income tax

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current tax | 12,482 | 15,395 | 10,553 |
| Deferred tax credit | (724) | (602) | (1,534) |
| Income tax expense | 11,758 | 14,793 | 9,019 |

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applied to the Target Company and its subsidiaries is 25%.

According to the Circular of the Ministry of Finance ("**MOF**") and the State Administration of Taxation ("**SAT**") on the Implementation of the Inclusive Tax Reduction or Exemption Policy for Small and Micro Enterprises (Cai Shui [2019] No. 13), 25% of the portion of the annual taxable income generated by a small or micro enterprise that is below RMB1,000,000 shall be taxed at a rate of 20% for the enterprise income tax. For the portion between RMB1,000,000 and RMB3,000,000, 50% of it shall be taxed at a rate of 20% for the enterprise income tax.

The income tax expense can be reconciled to the loss before income tax per the combined statements of profit or loss and other comprehensive income as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Profit before taxation | 40,763 | 64,149 | 61,642 |
| Tax at the domestic income tax rate | 11,766 | 16,037 | 15,411 |
| Income tax at concessary rate | (198) | (614) | (2,289) |
| Income tax refund *(Note (a))* | – | – | (4,823) |
| Utilized the tax losses and other temporary difference previously not recognised as deferred tax assets | – | (667) | (727) |
| Tax effect of tax losses not recognised | 131 | 71 | 1,586 |
| Tax effect of expense not deductible for tax purpose | 54 | 119 | 150 |
| Others | 5 | (153) | (289) |
| Income tax expense | 11,758 | 14,793 | 9,019 |

Note (a): According to the Circular of the MOF, SAT and General Administration of Customs of the People's Republic of China (Cai Shui [2013] No.4) and the Circular of the MOF, SAT and National Development and Reform Commission ([2020] No.23) about the tax incentives to encourage investments in western region, the income tax rate for the qualified enterprises established in western region is reduced to 15%. The Target Company's subsidiary – Qinghai Yuehao Property Management Co., Ltd. ("Qinghai YH"), located in the western region and paid the income tax at the normal tax rate in previous years. In 2022, Qinghai YH applied for the qualified enterprises status, the local tax authority approved the application and refund the previously over-paid income tax, amounted to approximately RMB4,823,000, to Qinghai YH.

The movement on the deferred tax asset and deferred tax liabilities are as follows:

**Deferred tax assets**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at beginning of the year | 1,050 | 1,774 | 2,542 |
| Credit to profit or loss | 724 | 768 | 1,445 |
| Balance at end of the year | 1,774 | 2,542 | 3,987 |

**Deferred tax liabilities**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at beginning of the year | – | 1,204 | 1,370 |
| Charge/(credit) to profit or loss | 1,204 | 166 | (89) |
| Balance at end of the year | 1,204 | 1,370 | 1,281 |

Deferred tax asset arises from the expected credit losses of trade receivables which was not deductible for PRC income tax when making such expected losses. When the PRC tax authority approves the uncollected accounts receivable to be written off, the uncollected accounts receivable can be recognised as an expense under the EIT law. Deferred tax assets had been recognised in respect of these temporary differences.

Deferred tax assets wll be recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Target Group did not recognise deferred tax assets of RMB736,000, RMB407,000 and RMB928,000 in respect of losses amounting to RMB2,944,000, RMB1,630,000 and RMB3,711,000 that can be carried forward against future taxable income on 31 December 2020, 2021 and 2022 respectively.

Deferred tax liabilities arises from the of fair value of the investment property which is not deductible under EIT law.

**11. Director's emoluments**

No director of the Target Company received any fees or emoluments in respect of their services rendered to the Target Company during the Relevant Periods.

## 12. Dividends

No dividend was paid or proposed by the Target Company in respect of each of the Relevant Periods.

## 13. Property, plant and equipment

| | **Office building** *RMB'000* | **Leasehold improvement** *RMB'000* | **Motor vehicle** *RMB'000* | **Office furniture and equipment** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| **At Cost** | | | | | |
| At 1 January 2020 | 6,087 | 804 | 1,489 | 8,792 | 17,172 |
| Additions | – | 34 | 136 | 920 | 1,090 |
| Revaluation surplus | 4,716 | – | – | – | 4,716 |
| Transfer to investment property | (10,803) | – | – | – | (10,803) |
| Disposals | – | – | (125) | (362) | (487) |
| At 31 December 2020 and 1 January 2021 | – | 838 | 1,500 | 9,350 | 11,688 |
| Additions | – | 853 | 277 | 1,663 | 2,793 |
| Disposals | – | (632) | – | (776) | (1,408) |
| At 31 December 2021 and 1 January 2022 | – | 1,059 | 1,777 | 10,237 | 13,073 |
| Additions | – | – | 174 | 444 | 618 |
| Disposals | – | – | – | (489) | (489) |
| At 31 December 2022 | – | 1,059 | 1,951 | 10,192 | 13,202 |

| | Office building RMB'000 | Leasehold improvement RMB'000 | Motor vehicle RMB'000 | Office furniture and equipment RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| At 1 January 2020 | 2,313 | 498 | 1,033 | 5,981 | 9,825 |
| Change during the year | 200 | 134 | 286 | 873 | 1,493 |
| Transfer to investment property | (2,513) | – | – | – | (2,513) |
| Eliminated on disposals | – | – | (118) | (272) | (390) |
| At 31 December 2020 and 1 January 2021 | – | 632 | 1,201 | 6,582 | 8,415 |
| Change during the year | – | 209 | 105 | 1,138 | 1,452 |
| Eliminated on disposals | – | (632) | – | (678) | (1,310) |
| At 31 December 2021 and 1 January 2022 | – | 209 | 1,306 | 7,042 | 8,557 |
| Change during the year | – | 245 | 105 | 1,261 | 1,611 |
| Eliminated on disposals | – | – | – | (487) | (487) |
| At 31 December 2022 | – | 454 | 1,411 | 7,816 | 9,681 |
| **Carrying value** | | | | | |
| As of 31 December 2020 | – | 206 | 299 | 2,768 | 3,273 |
| As of 31 December 2021 | – | 850 | 471 | 3,195 | 4,516 |
| As of 31 December 2022 | – | 605 | 540 | 2,376 | 3,521 |

## 14. Investment property

| | As at 31 December | | |
|---|---|---|---|
| | 2020 RMB'000 | 2021 RMB'000 | 2022 RMB'000 |
| Balance at beginning of the year | – | 8,290 | 8,160 |
| Transferred from property, plant and equipment, at fair value | 8,290 | – | – |
| Net decrease in fair value recognised in profit or loss and other comprehensive income | – | (130) | (160) |
| Balance at end of the year | 8,290 | 8,160 | 8,000 |

The Target Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The rental income earned from the investment property were approximately RMB132,000, RMB401,000 and RMB413,000 for the year ended 31 December 2020, 2021 and 2022 respectively.

The fair value of the Target Group's investment property situated in PRC has been derived at on the basis of a valuation of the properties carried out on the year end date by an independent qualified professional valuer who is not connected to the Target Group and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location.

The fair value of the investment property is determined at the end of each reporting period based on direct comparison method. The direct comparison method assumes the sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence available in the relevant market.

There has been no change from the valuation technique used during the relevant period.

As of 31 December 2022, the investment property was subject to the attachment order by the court due to the claims of the unpaid invoices from suppliers.

**15. Rights-of-use assets**

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at beginning of the year | 1,351 | 233 | 3,482 |
| Addition | – | 5,222 | – |
| Depreciation | (1,118) | (1,973) | (1,741) |
| Balance at end of the year | 233 | 3,482 | 1,741 |

| | **As at 31 December** | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost | 3,355 | 5,222 | 5,222 |
| Accumulated depreciation | (3,122) | (1,740) | (3,481) |
| Net book value | 233 | 3,482 | 1,741 |

During the Relevant Period, the Target Group leases a property for use as an office.

Rights-of-use assets are depreciated on a straight-line basis over the term of the leases.

## 16. Intangible assets

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at beginning of the year | 1,690 | 1,473 | 1,267 |
| Addition | 25 | 17 | 50 |
| Amortisation | (242) | (223) | (269) |
| Balance at end of the year | 1,473 | 1,267 | 1,048 |

Intangible assets are the acquired computer software and it were amortised over two to ten years on straight line basis.

## 17. Trade receivables

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 35,780 | 56,084 | 77,171 |
| Less: Allowance for credit losses | (7,106) | (10,183) | (16,237) |
| | 28,674 | 45,901 | 60,934 |

The following is an aged analysis of trade receivables at the end of the Relevant Periods, presented based on the invoice date:

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 21,503 | 38,220 | 50,618 |
| One to two years | 7,746 | 8,596 | 13,175 |
| Two to three years | 4,249 | 4,822 | 5,857 |
| Three to four years | 1,248 | 2,932 | 3,661 |
| Above four years | 1,034 | 1,514 | 3,860 |
| | 35,780 | 56,084 | 77,171 |

The below table reconciles the loss allowances of trade receivables for the Relevant Periods:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at beginning of the year | 4,218 | 7,106 | 10,183 |
| Expected credit loss recognised for the year | 2,888 | 3,077 | 6,054 |
| Balance at end of the year | 7,106 | 10,183 | 16,237 |

**18. Amounts due from/(to) related parties**

All of the amounts due from/(to) related parties were unsecured, interest free and repayable on demand.

**19. Cash and bank balances**

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank balances presented in the combined statement of financial position | 42,993 | 38,170 | 39,137 |
| Less: Restricted bank deposit | – | (3,377) | (10,749) |
| Cash and cash equivalents presented in combined statement of cash flows | 42,993 | 34,793 | 28,388 |

As of 31 December 2021 and 2022, approximately RMB3,370,000 and RMB10,749,000 bank balances were frozen by the court order due to the suppliers' claims for the unpaid invoices.

At the end of each of the Relevant Periods, the cash and cash equivalents for the Target Group 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 Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 20. Trade payables

The following is an aged analysis of trade payables at the end of the Relevant Periods, presented based on invoice date.

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 39,891 | 50,031 | 82,151 |
| One to two years | 6,754 | 3,154 | 13,516 |
| Two to three years | 475 | 2,507 | 1,070 |
| Three to four years | 1,563 | 586 | 311 |
| Above four years | 1,495 | 2,187 | 2,534 |
| | 50,178 | 58,465 | 99,582 |

## 21. Accruals and other payables

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Accrued wages and benefits | 25,595 | 27,837 | 27,785 |
| Suppliers' deposits | 18,400 | 15,904 | 17,455 |
| Others | 13,963 | 20,788 | 6,812 |
| | 57,958 | 64,529 | 52,052 |

## 22. Contract liabilities

Contract liabilities primarily relates to advances from customer for property management service fee before the criteria for revenue recognition have been meet.

Movement of the contract liabilities is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at beginning of the year | 53,209 | 42,894 | 41,369 |
| Increase in contract liabilities as a result of receiving customer advance payments during the year | 290,615 | 338,152 | 322,390 |
| Decrease in contract liabilities as a result of recognising revenue during the year | (300,930) | (339,677) | (326,544) |
| Balance at end of the year | 42,894 | 41,369 | 37,215 |

## 23. Lease liabilities

Analysis of lease liabilities is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at beginning of the year | 1,388 | 334 | 4,253 |
| Additions | – | 5,222 | – |
| Interest recognised during the year and total interest expense on financial liabilities not at fair value through profit or loss | 69 | 278 | 213 |
| Lease payment | (1,123) | (1,581) | (2,232) |
| Balance at end of the year | 334 | 4,253 | 2,234 |

The present value of future lease payments are analysed as:

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current liabilities | 334 | 2,126 | 2,234 |
| Non-current liabilities | – | 2,127 | – |
| | 334 | 4,253 | 2,234 |

## 24. Share capital

| | *RMB'000* |
|---|---|
| **Registered:** | |
| At 26 September 2021 (date of incorporation), 31 December 2021, 1 January 2022 and 31 December 2022 | 450,000 |
| **Paid up:** | |
| At 26 September 2021 (date of incorporation), 31 December 2021 and 1 January 2022 | – |
| At 31 December 2022 | 430,000 |

The Target Company was incorporated in the PRC with limited liability. Upon incorporation, its registered capital is RMB450,000,000.

## 25. Reserves

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

| **Reserves** | **Description and purpose** |
|---|---|
| Retained earnings | Cumulative net gains and losses recognised in the combined statement of profit or loss and other comprehensive income. |
| Statutory reserve | In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital. |
| Revaluation reserve | Revaluation reserve represents the difference between the fair value and the carrying amount of the property when it was reclassified as investment property. |
| Merger reserve | Merger reserve represents the difference between the consideration paid by the Target Company for the acquisition of the 100% equity interest of Beijing Yuehao Property Management Co., Ltd. and its subsidiaries and the carrying amounts of its net asset value. |

## 26. Capital risk management

The sole director of the Target Company manages its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to its investor through the optimisation of debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of capital and reserves.

The sole director of the Target Company reviews the capital structure on a regular basis. As part of this review, the sole director considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director, the Target Group will balance its overall capital structure through capital contribution and raising of new debts.

**27. Summary of financial instruments by category**

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets at amortised cost** | | | |
| – Trade receivables | 28,674 | 45,901 | 60,934 |
| – Other receivables | 3,514 | 1,578 | 1,835 |
| – Amounts due from related parties | 222,422 | 285,292 | 332,790 |
| – Cash and bank balances | 42,993 | 38,170 | 39,137 |
| | 297,603 | 370,941 | 434,696 |
| **Financial liabilities at amortised cost** | | | |
| – Trade payables | 50,178 | 58,465 | 99,582 |
| – Accruals and other payables | 39,558 | 48,625 | 34,597 |
| – Amounts due to related parties | 23,781 | 21,076 | 10,078 |
| – Lease liabilities | 334 | 4,253 | 2,234 |
| | 113,851 | 132,419 | 146,491 |

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

**28. Financial risk management objectives and policies**

The Target Group's financial instruments include trade receivables, other receivables, amounts due from related parties, cash and bank balances, trade payables, accruals and other payables, and amounts due to related parties and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments are set out below:

***(a) Market risk***

The Target Group's activities had minimum exposure to the market risks of changes in foreign currency exchange rates and interest rates.

*(i) Currency risk*

The Target Group mainly operates in the PRC with all transactions settled in its functional currencies. Therefore, the Target Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

*(ii) Interest rate risk*

The Target Group has no floating interest-bearing assets and liabilities. Any change in interest rates in respect of the bank balances of the Target Group is regarded insignificant as these bank balances are short-term in nature. Accordingly, no sensitivity analysis to interest rate risk is presented.

***(b) Credit risk***

The Target Group is exposed to credit risk and the Target Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position.

The Target Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Target Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information.

Especially the following indicators are incorporated:

– internal credit rating;

– external credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

– actual or expected significant changes in the operating results of the debtor/customer;

– significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Target Group and changes in the operating results of the customer.

*(i) Trade receivables*

As part of the Target Group's credit risk management, the Target Group monitors procedures to ensure that follow-up action is taken to recover overdue debts and applies internal credit rating for its customers by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The Target Group applies simplified approach to measure the ECL which uses a lifetime expected loss allowance for all trade receivables. The Target Group performs impairment assessment under ECL model on trade receivables individually or based on provision matrix.

Except for related parties and customers with significant balances or credit-impaired, which are assessed for impairment individually, the remaining trade receivables, representing larger number of small customers are grouped under a provision matrix based on shared credit risk characteristics by reference to the repayment history over past three years and the corresponding historical credit losses experienced within the period. The grouping is regularly reviewed by the management of the Target Group to ensure relevant information about specific debtors is updated. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Target Group had considered that the PRC's gross domestic growth is the most relevant factor, and accordingly, adjusted the historical loss rates based on expected changes of this factor.

As at 31 December 2020, 2021 and 2022, the Target Group has assessed that the expected credit loss rate for these receivables is immaterial with aging within one year. Expected credit losses of approximately RMB2,888,000, RMB3,077,000 and RMB6,054,000 were recognised for the year ended 31 December 2020, 2021 and 2022 respectively.

*(ii) Cash at bank*

The table below shows the details of bank balances balances maintained at the end of the Relevant Periods:

| | | **As at 31 December** | | |
|---|---|---|---|---|
| | | **2020** | **2021** | **2022** |
| | *Rating* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank balances | *A1* | 42,993 | 38,170 | 39,137 |

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Given that significant portion of the bank deposits are placed with banks that are independently rated with high credit rating with no default history in past years, management of the Target Group considers that the credit risk on the bank deposits balances is limited.

### *(c) Liquidity risk*

Liquidity risk mainly represents the risk that the Target Group will not be able to meet its financial obligations. The sole director of the Target Company is of the view that the liquidity risk exposed to the Target Group is not regarded significant.

The following tables detail the contractual maturities of the Target Group for their non-derivative financial liabilities, which are based on undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The tables include both interest and principal cash flows, if any. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of reporting period.

| | On demand | Less than 1 year | Over 1 year | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2020** | | | | | |
| *Non-derivative financial assets* | | | | | |
| Trade receivables | 28,674 | – | – | 28,674 | 28,674 |
| Other receivables | 3,514 | – | – | 3,514 | 3,514 |
| Amount due from related parties | 222,422 | – | – | 222,422 | 222,422 |
| Cash and cash equivalents | 42,993 | – | – | 42,993 | 42,993 |
| | 297,603 | – | – | 297,603 | 297,603 |
| *Non-derivative financial liabilities* | | | | | |
| Trade payables | 50,178 | – | – | 50,178 | 50,178 |
| Accruals and other payables | 39,558 | – | – | 39,558 | 39,558 |
| Amounts due to related parties | 23,781 | – | – | 23,781 | 23,781 |
| Lease liabilities | 350 | – | – | 350 | 334 |
| | 113,867 | – | – | 113,867 | 113,851 |

| | On demand *RMB'000* | Less than 1 year *RMB'000* | Over 1 year *RMB'000* | Total undiscounted cash flows *RMB'000* | Carrying amount *RMB'000* |
|---|---|---|---|---|---|
| **At 31 December 2021** | | | | | |
| *Non-derivative financial assets* | | | | | |
| Trade receivables | 45,901 | – | – | 45,901 | 45,901 |
| Other receivables | 1,578 | – | – | 1,578 | 1,578 |
| Amounts due from related parties | 285,292 | – | – | 285,292 | 285,292 |
| Cash and cash equivalents | 38,170 | – | – | 38,170 | 38,170 |
| | 370,941 | – | – | 370,941 | 370,941 |
| *Non-derivative financial liabilities* | | | | | |
| Trade payables | 58,465 | – | – | 58,465 | 58,465 |
| Accruals and other payables | 48,625 | – | – | 48,625 | 48,625 |
| Amounts due to related parties | 21,076 | – | – | 21,076 | 21,076 |
| Lease liabilities | 2,126 | 2,345 | – | 4,471 | 4,253 |
| | 130,292 | 2,345 | – | 132,637 | 132,419 |

| | On demand *RMB'000* | Less than 1 year *RMB'000* | Over 1 year *RMB'000* | Total undiscounted cash flows *RMB'000* | Carrying amount *RMB'000* |
|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | |
| *Non-derivative financial assets* | | | | | |
| Trade receivables | 60,934 | – | – | 60,934 | 60,934 |
| Other receivables | 1,835 | – | – | 1,835 | 1,835 |
| Amounts due from related parties | 332,790 | – | – | 332,790 | 332,790 |
| Cash and cash equivalents | 39,137 | – | – | 39,137 | 39,137 |
| | 434,696 | – | – | 434,696 | 434,696 |
| *Non-derivative financial liabilities* | | | | | |
| Trade payables | 99,582 | – | – | 99,582 | 99,582 |
| Accruals and other payables | 34,597 | – | – | 34,597 | 34,597 |
| Amounts due to related parties | 10,078 | – | – | 10,078 | 10,078 |
| Lease liabilities | 2,345 | – | – | 2,345 | 2,234 |
| | 146,602 | – | – | 146,602 | 146,491 |

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Target Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

## 29. Related party transactions

In addition to those disclosed in this Historical Financial Information, the Target Group had the following transaction with related companies:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Property management fee income from related companies *(note (i))* | 24,895 | 44,222 | 30,816 |
| Purchases from a related company *(note (ii))* | 3,679 | 3,490 | 3,396 |
| Repayment of lease liabilities to a related company *(note (iii))* | 1,123 | 1,585 | 2,232 |

*Notes*

(i) These were the property management services provide to the related companies with the same ultimate shareholder of the Target Company.

(ii) This was security service acquired from a related company.

(iii) This was the rental payment of the office lease to a related company.

### 30. Note to the combined statement of cash flow

Reconciliation of profit before taxation tax to cash generated from continuing operations.

| | Year ended 31 December | | |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **OPERATING ACTIVITIES** | | | |
| Profit before tax | 47,063 | 64,149 | 61,642 |
| Adjustment for: | | | |
| Bank interest income | (209) | (101) | (65) |
| Finance cost | 69 | 278 | 213 |
| Change of fair value of investment property | – | 130 | 160 |
| Expected credit loss | 2,888 | 3,077 | 6,054 |
| Loss on disposal of property, plant and equipment | 97 | 98 | 2 |
| Depreciation of property, plant and equipment | 1,493 | 1,452 | 1,611 |
| Depreciation of right-of-use assets | 1,118 | 1,973 | 1,741 |
| Amortization of intangible assets | 242 | 223 | 269 |
| Operating cash flows before movement in working capital | 52,761 | 71,279 | 71,627 |
| (Increase)/decrease in inventories | (20,370) | 9,808 | 566 |
| Increase in trade receivables | (5,339) | (20,304) | (21,087) |
| (Increase)/decrease in prepayments, deposits and other receivables | (2,119) | 1,137 | (927) |
| (Increase)/decrease in amounts due from related parties | 159,904 | (62,870) | (47,498) |
| Decrease in restricted bank balances | – | (3,377) | (7,372) |
| Decrease in amounts due to related parties | (199,976) | (2,705) | (10,998) |
| Increase in trade payables | 1,558 | 8,287 | 41,117 |
| Decrease in contract liabilities | (10,315) | (1,525) | (4,154) |
| Increase/(decrease) in accruals and, other payables | 1,691 | 6,571 | (12,477) |
| Net cash generated from/(used in) operations | (22,205) | 6,301 | 8,797 |
| Income tax paid | (10,036) | (10,211) | (12,367) |
| Net cash used in operating activities | (32,241) | (3,910) | (3,570) |

**31. Capital Commitments**

As at 31 December 2020, 2021 and 2022, the Target Group had no material capital commitments.

**32. Contingent liabilities**

As at 31 December 2020, 2021 and 2022, the Target Group had no material contingent liabilities.

**33. Subsequent financial statements**

No audited combined financial statements of the Target Group have been prepared in respect of any period subsequent to 31 December 2022.

*Set out below is the management discussion and analysis on the Target Group for the years ended 31 December 2020, 2021 and 2022, which is prepared based on the financial information of the Target Group as set out in Appendix II to this circular.*

**For the year ended 31 December 2020, 31 December 2021, 31 December 2022**

***Financial results***

During the reporting periods, the Target Group had a compound growth rate of 7.4% each year in revenue resulting in CNY 320.70 million, CNY 388.46 million and CNY 369.95 million for the year ended 31 December 2020, 31 December 2021, 31 December 2022 respectively. Other income mainly consisted of government grants and subsidies resulting in CNY 4.77 million, CNY 3.16 million and CNY 4.77 million for the year ended 31 December 2020, 31 December 2021, 31 December 2022 respectively. As the principal activity of the Target Group is engaged in provision of property management services in the PRC, this is considered the only operating segment of the Target Group. For comments on the overview of the industry affecting this segment and the financial trading prospectus of the Target Group with regard to this segment, please refer to the section headed "Industry Overview" in the Letter from the Board and the section headed "V. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP" in Appendix I to this circular.

After deduction of operating expenses, which mainly comprise the staff-cost-dominent administration and operating expense resulting in CNY 36.61 million, CNY 43.49 million and CNY 43.30 million for the year ended 31 December 2020, 31 December 2021, 31 December 2022 respectively, the others expense were minimal like the finance lease interest expense and the regular expected credit loss of the account receivables as per note 17 and note 23 in the accountant's report on the Target Group in Appendix II. There was a transfer from property, plant and equipment to investment property in the year ended 31 December 2020 resulting in a fair value gain of CNY 3.51 million with little fair value loss of CNY 0.13 million and CNY 0.16 million for the year ended 31 December 2021 and 31 December 2022 respectively. As at 31 December 2022, the aforementioned investment property was subject to an attachment order made by the court in the PRC due to the claims made by certain suppliers of the Target Group in relation to allegedly unpaid invoices under a cleaning service contract. It was the Target Group's case that the service provider did not fully perform its obligations. On 8 February 2023, the Target Company received the judgment passed by the relevant court in the PRC in favour of the claimants, which ruled that the Target Company shall pay the cleaning fees stipulated under the subject contracts. As at the Latest Practicable Date, the Target Company has filed an appeal against the said judgment and will continue to seek professional legal advice to proceed with the appeal application. As the accounting cost of the disputed amount in the attachment order of RMB1,160,711.39 has already been recorded in the financial statements of the Target Group in a prudent manner, it is not expected that there will be any material financial impact to the Target Group.

Thereafter, the Target Group recorded a high value of profit before tax resulting in CNY 47.06 million, CNY 64.15 million and CNY 61.64 million with a compound rate of 14.45% each year for the year ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively with the before-tax margin ranged from 16.51% to 16.66% in the recent two years.

The income tax of the Group, with a decreasing effective tax rate of 25%, 23% and 15% because of utilised tax losses, lower tax rates in the subsidiaries in north-western part of China and tax refund as per note 10 in the Accountant's report on the Target Group, recorded CNY 11.76 million, CNY 14.79 million and CNY 9.02 million for the year ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively.

Finally, the Target Group had a satisfactory and upward growing trend of net profits in CNY 35.31 million, CNY 49.36 million and CNY 52.62 million for the year ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively.

***Liquidity and financial resources***

The Target Group had net current assets of about CNY 136.79 million, CNY 183.51 million and CNY 235.59 million for year ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively. The net assets of Target Group was about CNY 150.62 million, CNY 199.98. million and CNY 252.60 million for year ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively. During each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively, the Target Group funded its working capital and capital expenditures mainly through the operating activities as per note 30 "Note to the combined statement of cash flow" of the accountant's report in Appendix II. The operating cash flows before movement in working capital were CNY 52.76 million, CNY 71.28 million and CNY 71.63 million for the year ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively. Also, since the cashflow of the Target Group was very stable, there was net outflow of cash to fund the related parties (which were unsecured, interest-free and repayable on demand), resulting in net cash used in the operating activities being negative in the reporting period.

Cash and bank balances as at 31 December 2020, 31 December 2021 and 31 December 2022 were about CNY 42.99 million, CNY 38.17 million and CNY 39.14 million with improving current ratios 1.75, 1.92 and 2.12 respectively.

It is expected that the outflows of cash to fund the related parties would be terminated after completion of acquisition of the Target Group from the dividend of CNY 220 million to Vendor and the one-off settlement of approximately CNY 47.23 million for "the amount due from the related parties"from the related partied before the completion. Please refer to page IV-6 in the Appendix IV for details.

***Employees***

The Target Group had 1,423, 1,724, 1,642 employees as at 31 December 2020, at 31 December 2021, at 31 December 2022 respectively. The employees were remunerated based on their working performance and experience, with consideration to the prevailing market conditions. The staff, wages and benefits incurred were CNY 29.01 million, CNY 34.83 million and CNY 34.87 million for the year ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively. The Target Group reviews its remuneration policy and related packages on a regular basis. While the Target Group has not adopted any bonus, share option scheme or training scheme, bonuses and commissions may be awarded to employees, on a case-by-case basis, according to the assessment of their performance. Trainings on topics such as brand-name management, safety, services standard etc. are provided to the employees of the Target Group from time to time based on the requirement of their respective positions and job descriptions.

***Foreign currency exposure***

During the three years ended 31 December 2022, the income and operating costs of the Target Group were mainly denominated in CNY. The Target Group did not have a foreign currency hedging policy. The management will closely monitor foreign exchange exposure and will consider hedging significant currency risk should the need arise.

***Charges of assets***

As at 31 December 2020, 2021 and 2022, the Target Group had no charge of assets.

***Contingent liabilities***

As at 31 December 2020, 2021 and 2022, the Target Group had no material contingent liabilities.

***Significant investments***

As at 31 December 2020, 31 December 2021 and 31 December 2022, the Target Group had no significant investments.

***Material acquisitions and disposals***

During the three years ended 31 December 2022, the Target Group had no material acquisitions and disposals.

***Gearing ratio***

As at 31 December 2020, 2021 and 2022, the Target Group had no borrowing and therefore, its gearing ratio was 0%, measured on the basis of total borrowings divided by total equity.

***Future plan for material investments or capital assets***

As at 31 December 2020, 2021 and 2022, the Target Group has no future plans for material investments or capital assets.

## (A) REPORT NO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

*The following in the text of a report, prepared of inclusion in this circular, received from the reporting accountants of the Company, CCTH CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

CCTH CPA LIMITED
中正天恆會計師有限公司

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

**To the Directors of New Silkroad Culturaltainment Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of New Silkroad Culturaltainment Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2022 and related notes as set out on pages IV-4 to IV-8 of Appendix IV of the Circular issued by the Company dated 22 March 2023 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page IV-4 in Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition (the "**Acquisition**") of 100% equity interest in Beijing Chaolaichaowang Culture Media Company Limited (「北京潮來潮往文化傳媒有限公司」)(the "**Target Company**") and its subsidiaries (the "**Target Group**") on the Group's financial position as at 30 June 2022 as if the Acquisition had taken place at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated statement of financial position for the period ended 30 June 2022, on which no audit or review report has been published.

**Directors' Responsibilities for the Unaudited Pro forma Financial Information**

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

**Our Independence and Quality Management**

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 Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have complied the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules 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 an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

**Opinion**

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**CCTH CPA Limited**
*Certified Public Accountants*
Hong Kong

**Ng Kam Fai**
Practising Certificate Number P06573

22 March 2023

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

### Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

In connection with the Acquisition, the unaudited pro forma consolidated statement of financial position of the Enlarged Group, comprising the Group and the Target Group, has been prepared to illustrate the effect of the Acquisition on the Group's financial position as at 30 June 2022 as if the Acquisition had taken place on 30 June 2022.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on (i) the information on the unaudited consolidated statement of financial position of the Group as at 30 June 2022 which has been extracted from the published interim report of the Group for the period ended 30 June 2022; and (ii) the information on the audited combined statement of financial position of the Target Group as at 31 December 2022, which has been extracted from the accountants' report set out in Appendix II to this circular.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules and is solely for the purpose to illustrate the assets and liabilities of the Enlarged Group as if the Acquisition had taken place on 30 June 2022.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described below in the accompanying notes that are (i) directly attributable to the Acquisition; and (ii) factually supportable.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared by the Directors based on certain assumptions and estimates and for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group had the Acquisition been completed as at 30 June 2022 or at any future dates.

## Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

| | The Group As at 30 June 2022 | Target Group As at December 2022 | Proforma Adjustment | | | | | | The Enlarged Group |
|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Note 1)* | *(Note 2)* | *(Note 3)* | *(Note 4)* | *(Note 5)* | *(Note 6)* | *(Note 7)* | *(Note 8)* | |
| **NON-CURRENT ASSETS** | | | | | | | | | |
| Property, plant and equipment | 813,469 | 4,124 | | | | | | | 817,593 |
| Investment property | – | 9,371 | | | | | | | 9,371 |
| Right-of-use assets | 57,313 | 2,039 | | | | | | | 59,352 |
| Intangible assets | 143,445 | 1,228 | | | 167,951 | | | | 312,624 |
| Investment in subsidiary | – | – | 503,681 | | (503,681) | | | | – |
| Prepayments for purchase of property, plant and equipment | 40,475 | – | | | | | | | 40,475 |
| Deferred tax assets | 5,707 | 4,670 | | | | | | | 10,377 |
| Goodwill | – | – | | | 339,527 | | | | 339,627 |
| **Total non-current assets** | 1,060,409 | 21,432 | | | | | | | 1,589,319 |
| **CURRENT ASSETS** | | | | | | | | | |
| Inventories | 214,532 | 11,841 | | | | | | | 226,373 |
| Completed properties held for sale | 359,056 | – | | | | | | | 359,056 |
| Trade receivables | 3,507 | 71,375 | | | | | | | 74,882 |
| Prepayments, deposits paid and other receivables | 84,958 | 4,449 | | | | | | | 89,407 |
| Contract costs | 3,777 | – | | | | | | | 3,777 |
| Short term loan receivables | 53 | – | | | | | | | 53 |
| Amounts due from related parties | – | 389,814 | | (257,697) | | (76,737) | (55,380) | | – |
| Cash and bank balances | 541,098 | 45,843 | (426,944) | | | | 55,380 | (3,300) | 212,077 |
| **Total current assets** | 1,206,981 | 523,322 | | | | | | | 965,625 |
| **Total assets** | 2,267,390 | 544,754 | | | | | | | 2,554,944 |
| **CURRENT LIABILITIES** | | | | | | | | | |
| Trade payables | 29,017 | 116,644 | | | | | | | 145,661 |
| Accruals and other payables | 113,848 | 60,971 | | | | | | | 174,819 |
| Contract liabilities | 21,284 | 43,592 | | | | | | | 64,876 |
| Amounts due to related parties | 9,151 | 11,805 | 76,737 | | | (76,737) | | | 20,956 |
| Loans from non-controlling shareholders of subsidiaries | 15,413 | – | | | | | | | 15,413 |
| Bank borrowings – due within one year | 365 | – | | | | | | | 365 |
| Lease liabilities | 10,835 | 2,617 | | | | | | | 13,452 |
| Current tax liabilities | 1,245 | 11,737 | | | | | | | 12,982 |
| **Total current liabilities** | 201,158 | 247,366 | | | | | | | 448,524 |
| **Net current assets** | 1,005,823 | 275,956 | | | | | | | 517,101 |
| **Total assets less current liabilities** | 2,066,232 | 297,388 | | | | | | | 2,106,420 |
| **NON-CURRENT LIABILITIES** | | | | | | | | | |
| Loan from immediate holding company | 126 | – | | | | | | | 126 |
| Bank borrowings – due after one year | 58,467 | – | | | | | | | 58,467 |
| Lease liabilities | 44,723 | – | | | | | | | 44,723 |
| Deferred tax liabilities | 26,791 | 1,500 | | | 41,988 | | | | 70,279 |
| Net defined benefits liabilities | 5,462 | – | | | | | | | 5,462 |
| **Total non-current liabilities** | 135,569 | 1,500 | | | | | | | 179,057 |
| **Total liabilities** | 336,727 | 248,866 | | | | | | | 627,581 |
| **NET ASSETS** | 1,930,663 | 295,888 | | | | | | | 1,927,363 |
| **CAPITAL AND RESERVES** | | | | | | | | | |
| Share capital | 32,076 | 503,681 | | | (503,681) | | | | 32,076 |
| Reserves | 1,627,136 | (207,793) | | (257,697) | 465,490 | | | (3,300) | 1,623,836 |
| | 1,659,212 | 295,888 | | | | | | | 1,655,912 |
| Non-controlling interests | 271,451 | – | | | | | | | 271,451 |
| **TOTAL EQUITY** | 1,930,663 | 295,888 | | | | | | | 1,927,363 |

## C. Notes to the Unaudited Pro Forma Financial Information

(1) The unaudited consolidated statement of financial position of the Group as at 30 June 2022 has been extracted from the published interim report of the Group for the six months ended 30 June 2022

(2) The assets and liabilities of the Target Group as at 31 December 2022, has been extracted from the accountant's report set out in Appendix II to this circular and are translated at the exchange rate of 1 Renminbi ("**RMB**") to 1.17135 Hong Kong Dollars ("**HK$**") prevailing at 30 June 2022.

(3) On 4 January 2023, Sichuan Silkroad Data Technology Company Limited (the "**Purchaser**"), a wholly owned subsidiary the Company, entered into the Sale and Purchase Agreement (the "**Agreement**") with Beijing Yunhe Zhangji Investment Limited (the "**Vendor**"), which was ultimately wholly-owned by the Company's major shareholder – Macrolink Culturaltainment Development Co.,Ltd, the controlling shareholder of the Company holding approximately 54.79% of the issued share capital of the Company. Pursuant to the Agreement, the Purchaser has agreed to acquire 100% equity interest in the Target Company for a consideration of RMB430 million. The Consideration shall be satisfied by RMB364.49 million in cash and the assumption of RMB65.51 million debt due by the Vendor and its associates to the Target Group.

The consideration payable by the Group for the Acquisition pursuant to the Agreement is translated into HK$ at the exchange rate prevailing on 30 June 2022.

| | *HK$'000* |
|---|---|
| Cash | 426,944 |
| Assumption of debt | 76,737 |
| Total Consideration payable by the Company | 503,681 |

(4) According to the Agreement, as a conditional precedent, the Target Company will declare dividend RMB220,000,000 (approximately HK$257,697,000 when translated into HK$ at the exchange rate prevailing on 30 June 2022) to the Vendor. As the same time, the declare dividend payable to the Vendor will be offset to the same amount due by the Vendor and its associates to the Target Group.

(5) Upon completion of the Acquisition, 100% equity interest in the Target Company will be held by the Company. In the opinion of the Directors, the Acquisition is considered as a business combination and the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values using the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 Business Combinations ("**HKFRS 3**") issued by the Hong Kong Institute of Certified Public Accountants.

The goodwill arising from the Acquisition is calculated below:

| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
|---|---|---|---|---|
| Total Consideration | | | | 503,681 |
| | | *Note(a)* | *Note(b)* | |
| Property, plant and equipment | 4,124 | | | 4,124 |
| Investment property | 9,371 | | | 9,371 |
| Right-of-use assets | 2,039 | | | 2,039 |
| Intangible asset | 1,228 | | 167,951 | 169,179 |
| Deferred tax assets | 4,670 | | | 4,670 |
| Inventories | 11,841 | | | 11,841 |
| Trade receivables | 71,375 | | | 71,375 |
| Prepayments, deposits and other receivables | 4,449 | | | 4,449 |
| Amount due from related parties | 389,814 | (257,697) | | 132,117 |
| Cash and bank | 45,843 | | | 45,843 |
| Trade payables | (116,644) | | | (116,644) |
| Accruals and other payables | (60,971) | | | (60,971) |
| Contract liabilities | (43,592) | | | (43,592) |
| Amount due to related parties | (11,805) | | | (11,805) |
| Lease liabilities | (2,617) | | | (2,617) |
| Current tax liabilities | (11,737) | | | (11,737) |
| Deferred tax liabilities | (1,500) | | (41,998) | (44,488) |
| Fair value of the assets and liabilities of the Project Group | 295,888 | | | 164,164 |
| Goodwill | | | | 339,527 |

For the purposes of the calculation of the goodwill arising from the Acquisition, the following bases and assumptions are adopted:

(a) Adjustment on the distributed dividend by the Target Group, refer to Note (4).

(b) The identified intangible assets, which is valued by an independent valuer, and translated into HK$ at the exchange rate prevailing on 30 June 2022, are as follows:

| | *HK$'000* |
|---|---|
| Customer relationship | 104,832 |
| Trademark | 63,119 |
| | 167,951 |

The corresponding deferred tax liabilities relating to the pro forma fair value adjustment of identified intangible assets amounted to HK$41,988 which is calculated at income tax rate of 25%.

The fair value of the other assets and liabilities of the Target Group is estimated to be approximate to their respective carrying amounts at 31 December 2022.

Upon completion of the Acquisition, the actual goodwill of the Enlarged Group, for accounting purpose, will need to be recalculated based on the fair value of the net identifiable assets and liabilities of the Target Group at the date of completion of the Acquisition. The actual financial effects may be different from the amounts presented above.

(6) Eliminating the intercompany balances upon consolidation.

(7) The Vendor agrees to settle the remaining amount due by Vendor and its Associates to the Target Group, approximately HK$55,380,000, before the completion of Acquisition.

(8) The adjustment represents the recognition of other acquisition costs amounting to approximately HK$3,300,000 as estimated by the Directors which mainly comprises legal and professional fees.

(9) When translating the RMB into HK$, no representation is made that RMB amount have been, could have been, or could be converted into HK$ or vice versa.

(10) No other adjustments have been made to reflect any trading results or other transactions of the Group subsequent to 30 June 2022.

## 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. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company and their associates 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), 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 and short positions which the Directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") were as follows:

### (i) Long positions in the Shares and underlying shares of the Company:

| Name of Directors | Nature of interest | Number of Shares held | Number of underlying shares held pursuant to share options | Total | Approximate percentage of the Company's issued share capital |
|---|---|---|---|---|---|
| Mr. Zhang Jian | Beneficial owner | – | 7,850,400 | 7,850,400 | 0.24% |
| Mr. Hang Guanyu | Beneficial owner | – | 7,850,400 | 7,850,400 | 0.24% |
| Mr. Liu Huaming | Beneficial owner | – | 7,850,400 | 7,850,400 | 0.24% |

### (ii) Long positions in the registered capital in associated corporation of the Company:

| Name of Director | Name of associated | Nature of interest | Registered capital held in the associated corporation | Approximate percentage of registered capital |
|---|---|---|---|---|
| Mr. Zhang Jian | Cheung Shek Investment Company Limited | Beneficial owner | RMB6,715,000 | 3.36% |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company and 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 taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## 3. COMPETING INTERESTS

As at the Latest Practicable Date, (i) Mr. Ma Chenshan is the director and executive vice president of Macro-Link Holding Company Limited, the ultimate controlling shareholder of the Company, and the chairman and the director of Macrolink Culturaltainment Development Co., Ltd., a non-wholly owned subsidiary of Macro-Link Holding Company Limited, and a director of Macro-Link International Land, which is a wholly-owned subsidiary of Macrolink Culturaltainment Development Co., Ltd. and the controlling shareholder of the Company; (ii) each of Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming is a director and/or senior management of Macrolink Culturaltainment Development Co., Ltd.

Macro-Link Holding Company Limited, Macrolink Culturaltainment Development Co., Ltd. and Macro-Link International Land are all involved in the development and operation of residential and commercial real estate, and cultural tourism businesses in the PRC. The above-mentioned competing businesses are operated and managed by companies with independent management and administration. In addition, the Board is independent of the boards of directors of the above-mentioned companies carrying on the competing businesses. Accordingly, the Group is capable of carrying on its businesses independent of the competing businesses mentioned above. Further, it is provided under the terms of the Acquisition Agreement that after the Completion, the Vendor undertakes that it and its associates (including the abovenamed companies) will not, without the consent of the Group, engage in the operation of or investment in property management businesses.

Save as disclosed above, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

## 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Enlarged Group which is not determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation.

## 5. INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, save for (i) the conditional subscription agreement dated 29 September 2017 (as supplemented on 22 November 2017) entered into between Wealth Venture Asia Limited ("**Wealth Venture**") and Macrolink Australia Investment Limited ("**Macrolink Australia**") in relation to the subscription of 104 redeemable preference shares of US$0.01 each (the "**Redeemable Preference Shares**") in the share capital of Macrolink Australia; (ii) the conditional loan agreement dated 29 September 2017 (as supplemented on 22 November 2017) (the "**Loan Agreement**") entered into between Wealth Venture and Macrolink Australia in relation to the provision of a loan in the principal amount of 74.41 million Australian dollars; (iii) the total return swap agreement dated 29 September 2017 (as supplemented on 22 November 2017) (the "**TRS Agreement**") entered into between Wealth Venture and Macrolink Australia pursuant to which Wealth Venture and Macrolink Australia agreed to a swap arrangement; (iv) the supplemental agreement dated 29 November 2022 and entered into between Wealth Venture and Macrolink Australia to amend certain terms of the Loan Agreement; (v) the supplemental agreement dated 29 November 2022 and entered into between Wealth Venture and Macrolink Australia to amend certain terms of the Redeemable Preference Shares; (vi) the supplemental agreement dated 29 November 2022 and entered into between Wealth Venture and Macrolink Australia to amend certain terms of the TRS Agreement; and (vii) the Acquisition Agreement, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Enlarged Group.

## 6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which, since 31 December 2021 (the date to which the latest published audited financial statements of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

## 7. LITIGATION

As at the Latest Practicable Date, NSR Toronto Holdings Ltd. ("**NSR Toronto**"), an indirect wholly-owned subsidiary of the Company, was involved in the following litigation:

(i) NSR Toronto Holdings Ltd. ("**NSR Toronto**"), an indirect wholly-owned subsidiary of the Company, issued a notice of action dated 30 May 2019 and filed a statement of claim dated 27 June 2019 (the "**2019 Claim**") in the Superior Court of Justice in Ontario (the "**Ontario Court**") against CIM Development (Markham) LP, CIM Mackenzie Creek Residential GP Inc., CIM Commercial LP, CIM Mackenzie Creek Commercial GP Inc., CIM Mackenzie Creek Inc. and CIM Global Development Inc. (collectively, the "**Project Defendants**"), which were all then non-wholly owned subsidiaries and/or affiliates of NSR Toronto, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., 10184861 Canada Inc. and Mr. Jiubin Feng (collectively, the "**CIM Defendants**", together with the Project Defendants, collectively, the "**Defendants**"). Pursuant to the 2019 Claim, NSR Toronto seeks damages for breach of contract and breach of the duty of good faith, for accounting and disgorgement of profits for breach of fiduciary duty and breach of trust for failure or refusal to disclose self-dealing transactions that harmed NSR Toronto's interests, and for specific performance (or damages in lieu thereof) for refusal to honour their obligations under the agreement entered into with the Group dated 30 May 2017 in amounts to be particularised in the course of proceedings together with interest and costs.

The Defendants filed a statement of defence and counterclaim dated 16 August 2019 (the "**Counterclaim**") in the Ontario Court to (a) deny any and all liability to NSR Toronto; (b) ask that the action be dismissed; and (c) claim against NSR Toronto for damages, in an amount to be determined prior to trial, relating to the Defendants' lost profits in the development project.

On 4 October 2019, NSR Toronto filed a notice of motion in Ontario Court for, among other matters: (a) an order staying or dismissing the Counterclaim brought on behalf of the Project Defendants; and (b) an order striking out the Counterclaim on the grounds that the Counterclaim was commenced without the authority of the Project Defendants which were controlled by NSR Toronto at the time.

On 17 January 2020, the Ontario Court ordered that the Counterclaim brought in the name of the Project Defendants be stayed and the CIM Defendants were ordered to pay NSR Toronto's costs incurred on the motion.

On 25 February 2020, NSR Toronto delivered an amended claim in which only the CIM Defendants remain as defendants (the "**Amended Claim**"). The Amended Claim reflects certain developments since the 2019 Claim was first issued. On 16 June 2020, the CIM Defendants served a fresh amended statement of defence and counterclaim (the "**Amended Counterclaim**") to claim against NSR Toronto for breach of contract, breach of fiduciary duties, breach of good faith and misrepresentation for damages in the amount of CAD50 million (equivalent to about HK$310 million). On 11 September 2020, NSR Toronto delivered a reply and defence to the Amended Counterclaim.

During the year 2021, NSR Toronto, with the advice from the Canadian legal counsel, has determined for various strategic reasons not to advance this claim. On 28 June, 2022, by its counsel, CIM Defendants and CIM International Group Inc. delivered a letter to NSR Toronto's counsel, enclosing a new claim commenced on 30 May, 2022 against NSR Toronto, NSR Canada Development Limited, the Company, and various current and past management personnel of the Company. This new action, on its face, appears to duplicate the allegations already advanced in the existing counterclaim referred to above.

On 2 August, 2022, counsel to the CIM parties advised that they would be bringing a motion to obtain an order freezing the balance of the proceeds from the Disposal (as defined below) in 2019 which the CIM parties alleged are held in an escrow arrangement. The same day, the CIM parties also advised that they had resolved matters with 2728926 Ontario Inc and they would no longer be defendants in the counterclaim. The freeze motion and cross motion, which were initially scheduled to be heard in January 2023, were, at the request of the CIM parties, rescheduled to be heard in January 2024.

(ii) On 13 March 2020 (Toronto time), NSR Toronto and one of its officers were served in Ontario, Canada, with a statement of claim dated 21 February 2020 (the "**2020 Claim**") filed in the Ontario Court by two Ontario companies (collectively, the "**Plaintiffs**"). The 2020 Claim raises a number of legal and factual allegations against the direct parent of NSR Toronto (an wholly owned subsidiary of the Company) and the Company, (the "**NSR Defendants I**"), NSR Toronto and the officer of NSR Toronto (the "**NSR Defendants II**", together with the NSR Defendants I, collectively, the "**NSR Defendants**") as well as against a number of entities not related to the Group (the "**Other Defendants**"). As against the NSR Defendants, the Plaintiffs seek CAD8 million (equivalent to about HK$49.7 million) in the aggregate for alleged breaches of contract, conspiracy and punitive damages, including a consulting fee amounted to CAD5 million (equivalent to about HK$31 million) in relation to disposal of a real estate investment project of the Group in 2019 (the "**Disposal**"). Similar claims are being advanced against the Other Defendants.

On 11 May 2020, the NSR Defendants II filed a statement of defence in the Ontario Court to deny the allegations of wrongdoing as alleged in the 2020 Claim and to request the action be dismissed. Subsequently, on 11 February 2021, one of the Plaintiffs served a motion record requesting from the Ontario Court, among other things, (a) an order allowing the Plaintiff to amend its 2020 Claim, including for the issuance of a certificate of pending litigation ("**CPL**") as against the lands in the Disposal (the "**Amended 2020 Claim**"); (b) an order validating service of the Plaintiff's motion record on the co-Plaintiff; (c) an order dispensing with service or allowing substitutional service by mail on the NSR Defendants I which have not been served yet with the 2020 Claim; and (d) the payment of CAD 5 million into the court by each of the NSR Defendants and the Other Defendants pending determination of the Plaintiffs rights regarding the consulting fee as stated above (the "**Plaintiff's motion**"). The court granted the service-related relief on June 15, 2021, but items (a) and (d) remain outstanding (see below).

On 5 May 2021, the NSR Defendants II served a motion record for an order striking out the claims against them in the Amended 2020 Claim under the Rules of Civil Procedure (the "**NSR Defendants II's motion**"). The motion was heard on 25 June 2021 and granted on 30 August 2021, with costs in favour of the NSR Defendants II fixed at CAD70,000. On May 12 2022, the Plaintiffs unsuccessfully attempted to appeal this decision before to the Court of Appeal. On 15 June 2021, also in respect of the Plaintiffs' 11 February 2021 motion, the Ontario Court made orders to the effect that service on the NSR Defendants I was validated.

On 7 March 2022 the Ontario Superior Court heard the balance of the Plaintiffs' 11 February 2021 motion (i.e., as to the issuance of a CPL and regarding the payment into court of the alleged CAD 5 million consulting fee). The court also heard the cross motion by the NSR Defendants I to challenge the Ontario courts' jurisdiction over them. On 6 April 2022, the court issued its decision, dismissing the Plaintiffs' motion and staying the action against the NSR Defendants I.

By letter to the Court dated 22 December 2022, counsel for the Foreign Defendants requested that the appeal date be vacated pursuant to Justice Benotto's Order. On 23 December 2022, the Court advised the parties that the appeal had been delisted and the 3 February 2023 hearing date was cancelled. The NSR Defendants I have brought a motion to the Court of Appeal requiring the Plaintiffs to post security for costs of the appeal. That motion has not yet been scheduled by the court.

(iii) On 9 June 2021 (Toronto time), NSR Toronto filed a statement of claim in the Ontario Court to claim against Global King Inc ("**Global King**") for compensatory damages of CAD7.2 million as well as punitive and exemplary damages of CAD0.1 million for Global King's interference in the disposition of Mackenzie Creek Project in 2019. Global King responded with a statement of defence on 29 July 2021. The parties are preparing affidavits of documents and are discussing a Discovery Plan, which is expected to be agreed by legal counsel for both the Plaintiff and the Defendants.

NSR Toronto will press the parties for completion of a Discovery Plan, failing which we may need to bring a motion to have the court set the dates of trials. The Discovery Plan would enable the Company to schedule examinations for discovery.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Enlarged Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

## 8. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following sets out the qualifications of the experts who have given opinions, letter or advice included in this circular:

| Name | Qualification |
|---|---|
| Red Sun Capital Limited | A licensed corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| CCTH CPA Limited | Certified Public Accountants |
| Vincorn Consulting and Appraisal Limited | Independent valuer |

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts has any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

## 9. MATERIAL CONTRACTS

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

(a) the supplemental agreement dated 29 November 2022 and entered into between Wealth Venture and Macrolink Australia to amend certain terms of the subscription of 104 redeemable preference shares of US$0.01 each issued by Macrolink Australia pursuant to the terms and conditions of the subscription agreement dated 29 September 2017 (as supplemented on 22 November 2017) entered into between Wealth Venture and Macrolink Australia, including but not limited to the extension of the redemption date and the amendment of the rate at which the redemption premium is calculated;

(b) the supplemental agreement dated 29 November 2022 and entered into between Wealth Venture and Macrolink Australia to amend certain terms of the loan agreement dated 29 September 2017 (as supplemented on 22 November 2017) entered into between Wealth Venture and Macrolink Australia in relation to the provision of a loan in the principal amount of AUD74.41 million advanced by Wealth Venture to Macrolink Australia, including but not limited to the extension of the maturity date of the loan and the amendment of the interest rate of the loan;

(c) the supplemental agreement dated 29 November 2022 and entered into between Wealth Venture and Macrolink Australia to amend certain terms of the total return swap agreement dated 29 September 2017 (as supplemented on 22 November 2017) entered into between Wealth Venture and Macrolink Australia, including the amendment of the time and specific terms of the swap arrangement between Wealth Venture and Macrolink Australia; and

(d) the Acquisition Agreement.

## 10. GENERAL

(a) The secretary of the Company is Mr. Ng Mo Chun who is a fellow member and authorized supervisor of potential CPA of Hong Kong Institute of Certified Public Accountants, an associate of Hong Kong Company Governance Institute (Formerly known as Hong Kong Institute of Chartered Secretaries) and a member of Chartered Institute of Management Accountants. He has over 8 years of experience in property development & property management companies the issued shares of which are listed on the Stock Exchange.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The principal place of business of the Company is located at Suite 15/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

(d) The Company's share registrar and transfer office in Hong Kong is Tricor Progressive Limited situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(e) In the event of any inconsistency, the English texts of the circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

## 11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and website of the Company (www.newsilkroad472.com) for a period of 14 days from the date of this circular:

(a) the letter from the Board, the text of which is set out on pages 5 to 26 of this circular;

(b) the letter from the Independent Board Committee, the text of which is set out on pages 27 to 28 of this circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out on pages 29 to 58 of this circular;

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

(e) the report on the unaudited pro forma financial information of the Enlarged Group issued by CCTH CPA Limited, the text of which is set out in Appendix IV to this circular;

(f) the valuation report issued by Vincorn Consulting and Appraisal Limited in respect of the valuation on the Sale Interest, the text of which is set out in Appendix VI to this circular;

(g) the written consents referred to in paragraph headed "8. Qualifications and Consents of Experts" of this appendix; and

(h) the material contracts referred to in the paragraph headed "9. Material Contracts" in this appendix.

VINCORN
appraisal · brokerage · consulting

The Board of Directors
**New Silkroad Culturaltainment Limited**
15/F, COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

22 March 2023

Dear Sirs,

**Valuation of 100% Equity Interest of Beijing Chaolaichaowang Culture Media Company Limited**

## INSTRUCTIONS

In accordance with the instructions from New Silkroad Culturaltainment Limited (the "**Company**" or the "**Group**"), we have undertaken a valuation assignment to express an independent opinion on the market value of 100% equity interest (the "**Equity Interest**") in Beijing Chaolaichaowang Culture Media Company Limited (the "**Target Company**") as at 31 December 2022 (the "**Valuation Date**"). Our valuation work was performed subject to the assumptions and limiting conditions described in this report.

This report outlines the purpose of valuation, premise of value and sources of information; identifies the business appraised; describes the valuation methodology, assumptions and limiting conditions; and presents our investigation, analysis and our opinion of value.

## PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the market value of the Equity Interest of the Target Company as at the Valuation Date. It is our understanding that this valuation will be used by the directors and management of the Company for public documentation purpose in relation to the Equity Interest of the Target Company.

We understand that our valuation report may be included in the Company's public document and disclosed to other parties including its directors, shareholders, auditors and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Nonetheless, we will not be liable to any parties other than the addressee of the valuation report.

Vincorn Consulting and Appraisal Limited ("**Vincorn**") assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

## PREMISE OF VALUE

Our valuation has been prepared in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable.

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

## OVERVIEW OF THE GROUP AND THE TARGET COMPANY

### New Silkroad Culturaltainment Limited

New Silkroad Culturaltainment Limited and its subsidiaries are principally engaged in (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate in Australia; (iii) production and distribution of wine in the People's Republic of China (the "**PRC**"); and (iv) operation of entertainment business in South Korea. Property development, operation and management has long been part of the principal businesses of the Group and the Company has been exploring the further expansion of its property-related businesses into property management in the PRC.

### Beijing Chaolaichaowang Culture Media Company Limited

The Target Company is a company incorporated under the laws of the PRC principally engaged in investment holding, and its subsidiaries are principally engaged in property management in the PRC under the brand "Yuehao Property Management（悅豪物業管理）". The Target Company has 14 subsidiaries, all being wholly-owned companies established under the laws of the PRC.

The brand "Yuehao Property Management（悅豪物業管理）" has over 20 years of history and 北京悅豪物業管理有限公司 ("Beijing Yuehao Property Management Co., Ltd."), being the principal operating subsidiary and holding company all other subsidiaries of the Target Company, has the national first-class property management qualification（國家一級物業管理資質）, and is a member of China Property Management Association（中國物業管理協會會員）and a council member of Beijing Property Management Association（北京物業管理協會理事會員單位）. The property management business of Beijing Yuehao Property Management Co., Ltd. spans across different cities and regions of the PRC, with a total of 49 property management projects, involving large-scale residential quarters, high-end apartments, villas, industrial parks, commercial plazas, and other properties related to cultural tourism and urban service management.

## SCOPE OF SERVICES

This engagement involved an analysis of the Target Company as at the Valuation Date. In undertaking this valuation assignment, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the management of the Company and/or the Target Company or their representatives (hereinafter referred to as the "**Management**"):

- Conducted meeting(s) and/or discussion with the Management;
- Obtained the relevant financial and operational information related to the Target Company and its business;
- Performed market research and obtained statistical data from public sources;
- Examined all relevant bases and assumptions of both the financial and operational information related to the subject matter, which were provided by the Management;
- Conducted valuation of the subject matter using the respective standards of value that are most appropriate;
- Documented the result of our findings in this valuation report.

## SOURCES OF INFORMATION

In conducting our valuation of the Equity Interest, we have considered, reviewed and relied upon the following key information provided by the Management and the public.

- The nature, background and development of the Target Company and relevant information;
- The unaudited management accounts of the Target Company as at 31 December 2022; and
- S&P Capital IQ database and other reliable sources of market data.

We have held discussion with the Management and conducted research from public sources to assess the reasonableness and fairness of the information provided. We have no reason to doubt the truth and accuracy of the information provided to us by the Management, and we have relied to a considerable extent on the information provided in arriving at our opinion of value.

## VALUATION METHODOLOGIES

There are three generally accepted approaches to assess the market value of the Equity Interest, namely the market approach, the asset-based approach, and the income approach. Each of these approaches is appropriate in one or more circumstances.

### Market Approach

Market approach is relatively the most straightforward valuation method in determining market value of assets. Market approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative.

As advised by the Company, the Target Company is expected to sustain its existing business operations in the foreseeable future. Therefore, we have considered that market approach is the most optimal approach for valuing the equity interest of the Target Company. The derived multiples based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity and derive an indication of value.

### Asset-based Approach

Asset-based Approach values assets with reference to the accumulating costs that would incur in order to replace or reproduce the assets in its current condition. This approach is not considered to be an appropriate approach to valuing income-generating assets as it generally does not capture the future expected returns to the asset.

We have considered but decided against Asset-based Approach as this approach disregards the future profit potentials of the Target Company. Therefore, Asset-based Approach is not appropriate to estimate the equity interest of the Target Company and is not adopted in our valuation.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

### Income Approach

Income approach values assets with reference to the capitalized value of income, cash flows or cost savings that could hypothetically be earned or achieved by a market participant owing the assets.

The principle of this approach is that the value of the asset can be measured by the present worth of the economic benefits to be received over the asset life. This approach estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realizing those benefits.

We have also considered that the income approach is not optimal to value the equity interest of the Target Company as this approach involves financial forecast information and the adoption of more assumptions than the other two approaches, not all of which can be easily justified or ascertained.

## VALUATION ASSUMPTIONS AND RATIONALE

### General assumptions

In determining the market value of the Equity Interest of the Target Company, a number of general valuation assumptions have to be established. The general assumptions adopted in this valuation included:

- There will be no material change in the existing political, legal, technological, fiscal, foreign trade and economic conditions in localities where the Target Company operates or intend to operate;
- The industry trends and market conditions in which the business is being operated and which are material to revenue and costs of businesses will have no material change;
- There will be no material change in the current taxation laws in the localities in which the Target Company operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operate or intend to operate would be officially obtained and renewable upon expiry;
- The Target Company will retain competent management, key personnel, and technical staff to support the ongoing operation of its business.
- We have assumed that there are no hidden or unexpected conditions associated with the Target Company that might adversely affect the reported value.

Pursuant to the Acquisition Agreement, as a conditional precedent, the Target Company will declare dividend RMB220,000,000 (the "**Dividend Arrangement**") to Beijing Yunhe Zhangji Investment Limited (the "**Vendor**") to offset the same amount due by the Vendor and its associates to the Target Company. Based on the unaudited pro forma consolidated statement of financial position of the enlarged group, the Dividend Arrangement could have effect on the balance sheet item of "amounts due from related parties" only (referred to as the "**Non-operating Assets**") of the Target Company.

According to the International Glossary of Business Valuation Terms, the definition of a non-operating asset is an asset that is "not necessary to ongoing operations of the business enterprise." A non-operating asset is one that can be sold or distributed to shareholders without impacting the ongoing operations of the business.[1]

Based on the classification of Hang Seng Indexes, property service and management sector is regarded as an asset-light business model that enjoys stable cash flows. Pursuant to the abovementioned asset-light and cash-flow focus characteristics by Hang Seng Indexes, valuing the Target Company, which is a company providing property service and management services, should be focusing on its earnings and cash flow generation ability. Therefore, the effect in relation to the Non-operating Assets under the Dividend Arrangement, which is not related to the ongoing business operation and earnings ability of the Target Company, is immaterial on the valuation of the Target Company.

## VALUATION OF THE MARKET VALUE OF THE TARGET COMPANY

### Guideline Public Company Method

The premise behind the guideline public company method ("Guideline Public Company Method") is that the prices of publicly traded stocks in the same or a similar industry provide objective evidence as to the values at which investors are willing to buy and sell the interest of the companies in that industry. In applying Guideline Public Company Method, we compute a valuation multiple for various benefit streams for each guideline public company. The appropriate valuation multiple is determined and adjusted for the unique aspects of the Target Company being valued. This valuation multiple is then applied to the Target Company to arrive at an estimate of value for the appropriate ownership interest. Since the purpose of the valuation is to determine the equity interest, the valuation multiples are based on equity value. A valuation multiple represents a ratio that uses a comparable company's market value as at the Valuation Date as the numerator and the comparable company's operating results (or financial position) as the denominator.

P/S Ratio is considered not appropriate for this valuation since sales revenue does not consider the cost structure and profitability of the Target Company (which are considered primary factors affecting the value of a company of the same kind).

P/B ratio is considered not appropriate for this valuation on the ground that the Target Company, which is not a solely asset holding company, has its value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities. The company specific advantages are not captured in P/B ratio.

P/E ratio considers the cost structure as well as profitability (which are considered primary indicator affecting the value of a company of the same kind) of the Target Company, it is a common valuation method for the assessment of companies' value with profitable businesses. P/E ratio is considered appropriate for this valuation since it reflects the significant business and profitability of the Target Company. As a result, we have considered P/E ratio to be appropriate in this valuation.

[1] https://www.gma-cpa.com/blog/treatment-of-non-operating-assets-and-liabilities-in-business-valuation-quick-guide-for-attorneys

Once we have selected certain guideline public companies and made the necessary adjustments to their financial information when needed, the next step is to determine and compute the appropriate valuation multiples, and the calculation method is the same for all selected guideline public companies. The process of computing the valuation multiple in this case consists of the following procedures:

a) Determination of the equity value for each guideline public companies as at the Valuation Date. The equity value for each guideline public companies, which is the market capitalization, is made reference to S&P Capital IQ database as at the Valuation Date.

b) Determination of the measure of operating result, which are net income as at the valuation date. This measure of operating result represents the denominator of the valuation multiple.

The application of this method depends on the selection of guideline public companies that are similar enough to the underlying business of the Target Company so as to provide a meaningful comparison. We exercised due care in the selection of guideline public companies by using reasonable criteria in deciding whether a particular guideline public company is relevant.

The Comparable Companies for deriving the ratios:

Due care was exercised in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular company is relevant. In selecting the Guideline Public Companies, we started with the description of the potential companies, in terms of lines of business, financial results and other criteria. In order to comprise a representative set of guideline public companies to derive the valuation result, certain criteria have to be set to ensure similarity between the guideline public companies and the Target Company.

Firstly, our focus is to identify listed companies which principally engaged in property management services since the principal business of the Target Company is to provide a full range of property management services. Secondly, we narrow down the pool of listed companies in which major business location is in PRC because the Target Company has its business operated in the PRC. As a result, listed companies with similar business exposure in relation to the principal activity of the Target Company are identified. We consider this selection basis is reasonable and the sample list is fair and representative. As a result, the comparable companies were selected with reference to the criteria as follows:

- The comparable companies are principally engaging in the business of property management services;
- The comparable companies are listed in Hong Kong Stock Exchange;
- The comparable companies have their business operation in the PRC; and
- The financial information of the comparable companies is available to the public.

We then identified twenty nine comparable companies (the "Comparable Companies") to be comparable to the Target Company with the aforesaid criteria, and calculated the P/E ratio for each comparable company. The exhaustive list of the Comparable Companies is as follows:

**Detail of the Comparable Companies:**

| **Company Name** | **Ticker** | **Business Description** |
|---|---|---|
| Hevol Services Group Co. Limited | SEHK:6093 | Hevol Services Group Co. Limited, an investment holding company, provides property management and value-added services in the People's Republic of China. It provides security, cleaning, greening, gardening, and repair and maintenance services to property owners and residents, as well as property developers. |
| Riverine China Holdings Limited | SEHK:1417 | Riverine China Holdings Limited, an investment holding company, provides property management and urban sanitary services in the People's Republic of China. It manages public properties, commercial establishments, residential properties, and others. |
| Beijing Capital Jiaye Property Services Co., Limited | SEHK:2210 | Beijing Capital Jiaye Property Services Co., Limited provides property management services in China. It also offers security, cleaning, greening engineering, gardening, repair and maintenance, and customer services; value-added services, such as sales office and display unit management, pre-delivery support, tenant sourcing and management, landscape engineering, engineering operations and maintenance, and preliminary planning and design consultancy; and community value-added services, including heat energy supply, catering, property leasing, home decoration management, real estate brokerage, and carpark space operation services, as well as operation management services. |

| Company Name | Ticker | Business Description |
|---|---|---|
| Binjiang Service Group Co. Ltd. | SEHK:3316 | Binjiang Service Group Co. Ltd. provides property management and related services in the People's Republic of China. Its property management services include security, cleaning, gardening, repair, maintenance, and ancillary services to residential and non-residential properties, such as commercial properties, office buildings, corporate buildings, public facilities, industrial parks, and government buildings. |
| C&D Property Management Group Co. Limited | SEHK:2156 | C&D Property Management Group Co. Limited, an investment holding company, provides property management services for residential and non-residential properties in the People's Republic of China. The company's property management services include greening, gardening and order maintenance for public areas, cleaning, security, parking management, repair and maintenance services for public facilities, etc. |
| Central China New Life Limited | SEHK:9983 | Central China New Life Limited, an investment holding company, provides property management services and value-added services in the People's Republic of China. It operates through three segments: Property Management and Value-Added Services, Lifestyle Services, and Commercial Property Management and Consultation Services. |
| China Overseas Property Holdings Limited | SEHK:2669 | China Overseas Property Holdings Limited, an investment holding company, provides property management services in Hong Kong, Macau, and the People's Republic of China. It operates through Property Management Services, Value-Added Services, and Car Parking Spaces Trading Business segments. |

| Company Name | Ticker | Business Description |
|---|---|---|
| China Resources Mixc Lifestyle Services Limited | SEHK:1209 | China Resources Mixc Lifestyle Services Limited, an investment holding company, provides property management and commercial operational services in the People's Republic of China. The company operates in two segments, Residential Property Management Services; and Commercial Operational and Property Management Services. |
| Country Garden Services Holdings Company Limited | SEHK:6098 | Country Garden Services Holdings Company Limited, an investment holding company, provides property management services to property owners, residents, and property developers in the People's Republic of China. |
| Dexin Services Group Limited | SEHK:2215 | Dexin Services Group Limited provides property management services in Zhejiang. The company offers property management services, such as security, cleaning, gardening, and repair and maintenance services to property developers, property owners, and residents. |
| Dowell Service Group Co. Limited | SEHK:2352 | Dowell Service Group Co. Limited operates as a property management service company in the People's Republic of China. The company offers property management services, including security, cleaning, landscaping, facility management, and repair and maintenance services to residential properties, as well as non-residential properties, such as commercial properties, hospitals, governmental buildings, and schools. |

| Company Name | Ticker | Business Description |
|---|---|---|
| Greentown Service Group Co. Ltd. | SEHK:2869 | Greentown Service Group Co. Ltd. provides residential property management services in China, Australia, and Hong Kong. The company offers property management services, including security, cleaning, gardening, and repair and maintenance services; project planning, design management, construction management, and marketing management consulting services to real estate developers; and management consulting services to real estate developers and property management companies. |
| Jiayuan Services Holdings Limited | SEHK:1153 | Jiayuan Services Holdings Limited operates as a property management service provider in the People's Republic of China. The company services primarily include property management services to property owners, property developers, residents, and tenants, including community value-added services, such as consultancy, cleaning, greening, repair, and maintenance services at the property pre-delivery stage. |
| Jinke Smart Services Group Co., Ltd. | SEHK:9666 | Jinke Smart Services Group Co., Ltd. provides space property management, community value-added, local catering, and smart living technology services in the People's Republic of China. |
| Jinmao Property Services Co., Limited | SEHK:816 | Jinmao Property Services Co., Limited, an investment holding company, provides property management services in the People's Republic of China. |
| KWG Living Group Holdings Limited | SEHK:3913 | KWG Living Group Holdings Limited, an investment holding company, provides various residential and non-residential property management services in the People's Republic of China. |
| Landsea Green Life Service Company Limited | SEHK:1965 | Landsea Green Life Service Company Limited provides property management and value-added services to the property developers, owners, and residents in China. |

| Company Name | Ticker | Business Description |
|---|---|---|
| Ling Yue Services Group Limited | SEHK:2165 | Ling Yue Services Group Limited operates as a property management company in the People's Republic of China. The company offers a range of property management services, such as security services, cleaning and greening services, and repair and maintenance services to property owners, residents, and property developers, as well as tenants in non-residential properties. |
| Lushang Life Services Co., Ltd. | SEHK:2376 | Lushang Life Services Co., Ltd. provides property management services in China. The company provides property management services comprising cleaning, security, greening, repair and maintenance, public area maintenance, and other property management related services for residential properties, commercial complexes, office buildings, apartments, city roads, schools, theme towns, hospitals, banks, industrial parks, and airline base properties. |
| Ronshine Service Holding Co., Ltd | SEHK:2207 | Ronshine Service Holding Co., Ltd provides property management services for property developers, owners, and residents in the People's Republic of China. It offers cleaning, security, greening, car park management, and repair and maintenance services; value-added services, such as sales assistance, driving and vehicle dispatching and managing services, and preliminary planning, design consultancy, and pre-delivery services; and community value-added services comprising decoration and furnishing services, home maintenance services, property agency services, and ancillary services for common areas. |

| Company Name | Ticker | Business Description |
|---|---|---|
| Shimao Services Holdings Limited | SEHK:873 | Shimao Services Holdings Limited, an investment holding company, provides property management and community living services in the People's Republic of China. The company offers property management services, including security, cleaning, greening and gardening, repair, and maintenance services to construction, gardening, and other property management companies. |
| Sino-Ocean Service Holding Limited | SEHK:6677 | Sino-Ocean Service Holding Limited, an investment holding company, primarily offers property management services in the People's Republic of China. The company's property management services comprising security, cleaning, greening, gardening, and repair and maintenance services to property owners and residents, as well as property developers. |
| Suxin Joyful Life Services Co., Ltd. | SEHK:2152 | Suxin Joyful Life Services Co., Ltd. provides property management service for public infrastructure and facilities, commercial properties, and residential communities in the People's Republic of China. |
| Times Neighborhood Holdings Limited | SEHK:9928 | Times Neighborhood Holdings Limited provides property management and other relevant services primarily to property developers, property owners and residents, and governmental authorities in the People's Republic of China. The company offers property management services for residential and non-residential properties. |

| Company Name | Ticker | Business Description |
|---|---|---|
| Xingye Wulian Service Group Co. Ltd. | SEHK:9916 | Xingye Wulian Service Group Co. Ltd., an investment holding company, provides property management, value-added, and property engineering services in Mainland China. Its property management services include security, cleaning, greening and gardening, parking space management, repair and maintenance, and customer services; and value-added services consisting of repair and maintenance, renovation waste clearance, intermediary leasing services, etc. |
| Yincheng Life Service CO., Ltd. | SEHK:1922 | Yincheng Life Service CO., Ltd., an investment holding company, provides property management services in the Mainland China. It offers various property management services, including security, cleaning, car park management, gardening and landscaping, repair and maintenance of equipment and machinery, and ancillary customer services, as well as repair and maintenance of specialized elevators, escalators, and mechanical car park equipment; and community value-added services, such as common area value-added, community convenience, fitness, decoration and construction, self-assistance, catering, engineering, and other value added services. |
| First Service Holding Limited | SEHK:2107 | First Service Holding Limited provides property management services and green living solutions in the People's Republic of China. The company offers property management services comprising cleaning, security, gardening, and repair and maintenance to property developers, property owners, and residents. Its portfolio of properties under management includes residential properties; and non-residential properties comprising office buildings, government facilities, hotels, and shopping centers. |

| Company Name | Ticker | Business Description |
|---|---|---|
| Sunac Services Holdings Limited | SEHK:1516 | Sunac Services Holdings Limited, an investment holding company, provides property management services, value-added services to non-property owners, and commercial operational and community living services in the People's Republic of China. |
| Kaisa Prosperity Holdings Limited | SEHK:2168 | Kaisa Prosperity Holdings Limited, an investment holding company, provides property management services in China. Its property management services include management of properties, maintenance and repair of buildings and ancillary facilities, community security management, car-park management, equipment installation, and property consulting services. The company was founded in 1999 and is headquartered in Shenzhen, the People's Republic of China. |

*Source: S&P Capital IQ database and Financial Reports of the Comparable Companies*

The above Comparable Companies, together with the Target Company, are similarly subject to fluctuations in the economy and performance of property management related businesses in the PRC among other factors. Thus, we consider they are confronted with similar industry risks and returns.

**Detailed calculation of the valuation multiples of the Comparable Companies are as follows:**

| Stock Ticker | Currency | Market Capitalization (million)[1] | Trailing Twelve Months Earnings (million)[1] | FY22 P/E ratio[2] | Adopted size premium[4] | Adjusted P/E Ratio[3] |
|---|---|---|---|---|---|---|
| SEHK:6093 [5] | HKD | 2,061 | 112 | 18.43 x | 0.00% | 18.43 x |
| SEHK:1417 | HKD | 255 | 31 | 8.16 x | 0.00% | 8.16 x |
| SEHK:2210 | HKD | 462 | 106 | 4.37 x | 0.00% | 4.37 x |
| SEHK:3316 | HKD | 5,274 | 430 | 12.27 x | 1.80% | 10.05 x |
| SEHK:2156 [5] | HKD | 5,839 | 238 | 24.53 x | 1.80% | 17.01 x |
| SEHK:9983 | HKD | 3,887 | 760 | 5.11 x | 0.00% | 5.11 x |
| SEHK:2669 | HKD | 26,722 | 1,112 | 24.02 x | 2.42% | 15.19 x |
| SEHK:1209 [5] | HKD | 90,501 | 2,280 | 39.69 x | 2.42% | 20.25 x |
| SEHK:6098 | HKD | 65,574 | 5,267 | 12.45 x | 2.42% | 9.57 x |
| SEHK:2215 [5] | HKD | 2,805 | 139 | 20.22 x | 0.00% | 20.22 x |
| SEHK:2352 [5] | HKD | 523 | 160 | 3.27 x | 0.00% | 3.27 x |
| SEHK:2869 | HKD | 16,744 | 750 | 22.31 x | 1.80% | 15.92 x |
| SEHK:1153 [5] | HKD | 367 | 124 | 2.95 x | 0.00% | 2.95 x |
| SEHK:9666 | HKD | 8,944 | 1,043 | 8.58 x | 1.80% | 7.43 x |
| SEHK:816 | HKD | 3,698 | 304 | 12.15 x | 0.00% | 12.15 x |
| SEHK:3913 | HKD | 3,505 | 789 | 4.44 x | 0.00% | 4.44 x |
| SEHK:1965 | HKD | 1,080 | 78 | 13.88 x | 0.00% | 13.88 x |
| SEHK:2165 [5] | HKD | 191 | 95 | 2.02 x | 0.00% | 2.02 x |
| SEHK:2376 [5] | HKD | 304 | 91 | 3.34 x | 0.00% | 3.34 x |
| SEHK:2207 [5] | HKD | 2,134 | 92 | 23.24 x | 0.00% | 23.24 x |
| SEHK:873 | HKD | 6,960 | 787 | 8.84 x | 1.80% | 7.63 x |
| SEHK:6677 | HKD | 2,664 | 521 | 5.12 x | 0.00% | 5.12 x |
| SEHK:2152 | HKD | 808 | 71 | 11.39 x | 0.00% | 11.39 x |
| SEHK:9928 | HKD | 1,015 | 218 | 4.66 x | 0.00% | 4.66 x |
| SEHK:9916 | HKD | 340 | 57 | 5.91 x | 0.00% | 5.91 x |
| SEHK:1922 | HKD | 761 | 117 | 6.51 x | 0.00% | 6.51 x |
| SEHK:2107 | HKD | 560 | (11) | NA | 0.00% | – |
| SEHK:1516 | HKD | 12,839 | (125) | NA | 1.80% | – |
| SEHK:2168 | HKD | 630 | (121) | NA | 0.00% | – |
| | | | | | **Average** | **9.93 x** |
| | | | | | **Average (excluding outliers)** | **8.68 x** |

*Notes:*

1. The figures are rounded to the nearest million.

2. The P/E ratios are calculated by dividing market capitalizations of the Comparable Companies as at 31 December 2022 by its respective trailing twelve months net earnings attributable to owners of the Comparable Companies as extracted from S&P Capital IQ database.

3. Since the comparable companies may have different size from the Target Company, a size premium is adopted for adjusting the multiples. The size premium is the additional risk premium required by investors for companies that are relatively smaller. Smaller companies are perceived as riskier in relation to business operation and financial performance, resulting in lower valuation multiple. We have taken into account the impact of the difference in the market capitalization between the Comparable Companies and the Target Company. Set out below is the proposed adjustment to the P/E ratio (the "Adjusted P/E Ratio") considering the impact of the size difference:

$$Adjusted\ \frac{P}{E}\ Ratio = \frac{1}{\frac{1}{P/E\ \ Ratio} + Adopted\ Size\ Premium}$$

4. The adopted size premium for each of the Comparable Companies is derived as below:

| Stock Ticker | Market Capitalization (USD million) | Target Company's Size Premium[6](a) | Comparable Companies' Size Premium[6] (b) | Adopted Size Premium[7](a)-(b) |
|---|---|---|---|---|
| SEHK:6093 | 264 | 3.02% | 3.02% | 0.00% |
| SEHK:1417 | 33 | 3.02% | 3.02% | 0.00% |
| SEHK:2210 | 59 | 3.02% | 3.02% | 0.00% |
| SEHK:3316 | 676 | 3.02% | 1.22% | 1.80% |
| SEHK:2156 | 749 | 3.02% | 1.22% | 1.80% |
| SEHK:9983 | 499 | 3.02% | 3.02% | 0.00% |
| SEHK:2669 | 3,427 | 3.02% | 0.60% | 2.42% |
| SEHK:1209 | 11,607 | 3.02% | 0.60% | 2.42% |
| SEHK:6098 | 8,410 | 3.02% | 0.60% | 2.42% |
| SEHK:2215 | 360 | 3.02% | 3.02% | 0.00% |
| SEHK:2352 | 67 | 3.02% | 3.02% | 0.00% |
| SEHK:2869 | 2,147 | 3.02% | 1.22% | 1.80% |
| SEHK:1153 | 47 | 3.02% | 3.02% | 0.00% |
| SEHK:9666 | 1,147 | 3.02% | 1.22% | 1.80% |
| SEHK:816 | 474 | 3.02% | 3.02% | 0.00% |
| SEHK:3913 | 449 | 3.02% | 3.02% | 0.00% |
| SEHK:1965 | 139 | 3.02% | 3.02% | 0.00% |
| SEHK:2165 | 25 | 3.02% | 3.02% | 0.00% |
| SEHK:2376 | 39 | 3.02% | 3.02% | 0.00% |
| SEHK:2207 | 274 | 3.02% | 3.02% | 0.00% |
| SEHK:873 | 893 | 3.02% | 1.22% | 1.80% |
| SEHK:6677 | 342 | 3.02% | 3.02% | 0.00% |
| SEHK:2152 | 104 | 3.02% | 3.02% | 0.00% |
| SEHK:9928 | 130 | 3.02% | 3.02% | 0.00% |
| SEHK:9916 | 44 | 3.02% | 3.02% | 0.00% |
| SEHK:1922 | 98 | 3.02% | 3.02% | 0.00% |
| SEHK:2107 | 72 | 3.02% | 3.02% | 0.00% |
| SEHK:1516 | 1,647 | 3.02% | 1.22% | 1.80% |
| SEHK:2168 | 81 | 3.02% | 3.02% | 0.00% |

5. Excluded from the calculation of the average of the P/E multiple as considered as outliers. An outlier is a datapoint which is more than 1 standard deviation away from the overall average. The standard deviation of the P/E ratio for all comparable companies has been calculated to be 6.25x. As a result, the upper boundary for identifying outliers is set at 16.18x (i.e. 9.93x + 6.25x), while the lower boundary is set at 3.69x (i.e. 9.93x – 6.25x). Any comparable companies with an Adjusted P/E Ratio higher than 16.18x or lower than 3.69x will be considered as outliers.

6. Small company risk premium is the additional return required by small company investors to compensate the higher perceived risks of small companies. The small company risk premium is made reference to 2021 Valuation Handbook – Guide to Cost of Capital ("Handbook"). The Handbook is the study of historical capital markets data in the United States. Commonly used by valuers, consultants, and analysts to analyse asset class performance, the yearbook contains the CRSP Decile Size Premia Study. The premia in the Handbook were calculated using the data sources: (i) Standard and Poor's, (ii) the Center for Research in Security Prices (CRSP) at the University of Chicago Booth School of Business and (iii) Morningstar – the actual "SBBI" data series in the Handbook. The determination of the size premium of the Target Company and the Comparable Companies are based on the below market capitalization classification sourced from the Handbook.

**CRSP Deciles Size Premium**

| | **Market Capitalization of Smallest Company (in USD millions)** | **Market Capitalization of Largest Company (in USD millions)** | **Size Premium** |
|---|---|---|---|
| Decile | | | |
| Mid Cap | 3,281.009 | 16,738.364 | 0.6% |
| Low Cap | 629.118 | 3,276.553 | 1.22% |
| Micro Cap | 10.588 | 627.803 | 3.02% |

7. The Adopted Size Premium of each of the Comparable Companies is derived by the formula below:

Adopted Size Premium = Target Company's Size Premium – Size Premium of each of the Comparable Companies

## Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In the valuation, A discount for lack of marketability of 15.80% is adopted. The discount for lack of marketability is made reference to a study 2021 edition of the Stout Restricted Stock Study Companion Guide issued by Stout Risius Ross, LLC, representing the overall median discount of 763 examined private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through December 2020.

**Control Premium ("CP")**

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest of a business enterprise that reflects the power of a control. Both factors recognize that controlling owners have rights that minority owners do not have and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a controlling ownership block versus a minority ownership block.

In the valuation, control premium is made reference to the Control Premium Study published by FactSet Mergerstat. A control premium of 22.90%, representing the overall median of the 2020 third quarter from completed transactions with publicly traded target companies, is adopted.

**Summary of the Target Company Valuation**

Details of the 100% equity interest of the Target Company as at the Valuation Date are as follows:

**P/E Ratio**

| | *RMB* |
|---|---|
| 100% Equity Value Derived from: | |
| P/E Ratio | 8.68 x |
| Actual LTM Earnings as of 31 December 2022 | 52,623,000 |
| 100% Equity Value (before DLOM & CP) | 456,548,067 |
| Less: DLOM (15.80% discount) | (72,134,595) |
| 100% Equity Value (after DLOM, before CP) | 384,413,473 |
| Add: CP (22.90% premium) | 88,030,685 |
| 100% Equity (after DLOM and CP) | 472,444,158 |
| 100% Equity after DLOM and CP (rounded) | 472,000,000 |
| 100% Equity Interest of Target Company by P/E ratio (Rounded): | 472,000,000 |

**CURRENCY**

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

## LIMITING CONDITIONS

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

Our opinion of the market value of the subject in this report is valid only for the stated purpose and only for the effective date of the appraisal. The valuation reflects facts and conditions existing at the date of valuation and subsequent events have not been considered. No responsibility is taken for any changes in the market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or conditions which may occur subsequent to the date hereof.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers. Our conclusions assume continuation of prudent management of the Sale Assets over a reasonable and necessary period of time to maintain the character and integrity of the assets valued.

## CONCLUSION OF VALUE

In our opinion, on the basis of the information made available to us, the market value of 100% Equity Interest in Beijing Chaolaichaowang Culture Media Company Limited as of 31 December 2022 is reasonably estimated at:

**RMB472,000,000**
**(RENMINBI FOUR HUNDRED AND SEVENTY TWO MILLION)**

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While we have exercised our professional judgment in arriving at the appraisal, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Vincorn. You are advised to consider with caution the nature of such assumptions which are disclosed in this report and to exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Yours faithfully,
for and on behalf of
**Vincorn Consulting and Appraisal Limited**

**Freddie Chan**
*BBA-FIN (Hons)*
*CFA ACCA FRM MRICS*
*RICS Registered Valuer*
*Executive Director*

**Vincent Cheung**
*BSc(Hons) MBA FRICS MHKIS*
*RPS(GP) MCIREA*
*MHKSI MISCM MHIREA FHKIoD*
*RICS Registered Valuer*
*Registered Real Estate Appraiser and Agent PRC*
*Managing Director*

*Notes:*

*Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a fellow of the Hong Kong institute of Directors, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 25 years of experience in the valuation of fixed and intangible assets of this magnitude and nature in the subject region.*

*Mr. Freddie W.T. Chan is a CFA® charterholder, an Association of Chartered Certified Accountants (ACCA®) charterholder, a FRM® charterholder, a Member of the Royal Institution of Chartered Surveyors (MRICS®) and Registered Valuer of the Royal Institution of Chartered Surveyors, who expertizes in corporate and intangible valuation sector. He has over 14 years of professional experiences in banking, finance, corporate advisory and valuation experiences. His experience on valuations covers Hong Kong, Mainland China, Australia, United States, Europe and other overseas countries.*

新絲路文旅有限公司
NEW SILKROAD CULTURALTAINMENT LIMITED

*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 472)**

# NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HERE BY GIVEN** that a special general meeting (the "**SGM**") of New Silkroad Culturaltainment Limited (the "**Company**") will be held at Conference Room, 8/F., Macrolink Group Building, Government Ave, Taihu Town, Tongzhou District, Beijing, the PRC on Tuesday, 11 April 2023 at 11:00 a.m., as special business, to consider and, if thought fit, pass with or without amendments the following resolution of the Company:

## ORDINARY RESOLUTION

To consider and, if thought fit, pass the following resolution (with or without modification) as ordinary resolution of the Company:

"**THAT**:

(a) the conditional sale and purchase agreement (the "**Acquisition Agreement**") dated 4 January 2023 (a copy of which has been produced at the SGM and marked "A" and initialled by the chairman of the SGM for the purpose of identification) between 四川絲路數據科技有限公司 (Sichuan Silkroad Data Technology Company Limited#) (the "**Purchaser**") and 北京運河長基投資有限公司 (Beijing Yunhe Zhangji Investment Limited#) (the "**Vendor**") in relation to the proposed acquisition of the entire equity interest (the "**Sale Interest**") of 北京潮來潮往文化傳媒有限公司 (Beijing Chaolaichaowang Culture Media Company Limited#) (together with its subsidiaries, the "**Target Group**") by the Purchaser from the Vendor at the consideration of RMB430,000,000 (equivalent to approximately HK$485,900,000) (the "**Acquisition**"), which shall be satisfied by the Purchaser to the Vendor (i) as to RMB80,000,000 in cash at the signing of the Acquisition Agreement; (ii) as to RMB65,511,224.84 by way of assumption of debt due by the Vendor and its associates to the Target Group at the completion of the Acquisition; and (iii) as to RMB284,488,775.16 in cash upon completion of the registration of the transfer of the Sale Interest with the relevant government authority in the People's Republic of China, the form and substance of the Acquisition Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any director of the Company be and is hereby generally and unconditionally authorised to do all such acts and things, to sign and execute (including the affixation of the common seal of the Company when required) all such documents for and on behalf of the Company as they may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisition Agreement and the transactions contemplated thereunder, and to make and agree to make such variations of the terms of the Acquisition Agreement as they may in their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders as a whole."

By the order of the Board
**New Silkroad Culturaltainment Limited**
**Ma Chenshan**
*Chairman and Executive Director*

Hong Kong, 22 March 2023

| | |
|---|---|
| *Registered Office:* | *Principal place of business in Hong Kong:* |
| Clarendon House 2 | 15/F., COFCO Tower |
| Church Street | 262 Gloucester Road |
| Hamilton HM 11 | Causeway Bay |
| Bermuda | Hong Kong |

# *The English names of entities marked with "#" are not the official names and are translated for identification purpose only.*

*Notes:*

(1) A member of the Company ("**Shareholder**") entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or more proxies (if such Shareholder is a holder of more than one share) to attend and vote in his stead. A proxy need not be a Shareholder.

(2) For determining the entitlement to attend and vote at the above SGM, the register of members of the Company will be closed on Tuesday, 11 April 2023, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 April 2023.

(3) In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's share registrar, Tricor Progressive Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

(4) In the case of joint holders of share(s) of the Company, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share(s) as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.

(5) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

(6) Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the SGM if the Shareholder so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

*As at the date of this notice, the Board comprises four executive Directors, namely, Mr. Ma Chenshan, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming, and three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. Tse Kwong Hon and Mr. Cao Kuangyu.*