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 licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sino-Life Group Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank manager, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

SINO-LIFE GROUP LIMITED
中國生命集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8296)

MAJOR AND CONNECTED TRANSACTIONS:
(1) ACQUISITION OF 20.25% EQUITY INTEREST IN ZHONGKE ZHENHUI INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(2) ACQUISITION OF APPROXIMATELY 21.43% EQUITY INTEREST IN GUANGDONG ZHENYUAN INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND
(3) NOTICE OF EGM

Financial Adviser to the Company

Lego Corporate Finance Limited
力高企業融資有限公司

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

八方金融有限公司
OCTAL Capital Limited

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

A letter from the Board is set out on pages 6 to 44 of this circular. A letter from the Independent Board Committee is set out on pages 45 to 46 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 84 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong, on 12 July 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment meeting thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven (7) days from the date of its publication and is available for reference on the website of the Company at www.sinolifegroup.com.

23 June 2023

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENT

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

"Acquisitions"	the proposed acquisitions of the equity interests in Zhongke Zhenhui and Guangdong Zhenyuan pursuant to the terms of the SPA I and SPA II, respectively
"associate(s)"	has the meaning ascribed to it in the GEM 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 signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
"CB Instrument"	the instrument constituting the Convertible Bonds
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the Operational Procedures of HKSCC is relation to CCASS, containing the practice, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
"Company"	Sino-Life Group Limited, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on GEM
"connected person(s)	has the meaning ascribed to it under the GEM Listing Rules
"Consideration Shares"	142,500,000 Shares to be allotted and issued by the Company to Shenzhen Huaxin or its nominee(s) to settle the consideration pursuant to the SPA II
"Conversion Period"	the period commencing from the date of issue of the Convertible Bonds and ending on the day immediately prior to the Maturity Date

"Conversion Price"	HK$0.126 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
"Conversion Rights"	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares
"Conversion Share(s)"	the Share(s) to be allotted and issued by the Company to the holders of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price
"Convertible Bonds"	the convertible bonds in the principal amount of HK$18,160,000 to be issued by the Company to Nanyue CB or its nominee(s) to satisfy the consideration pursuant to the SPA I
"Directors"	the directors of the Company
"EGM"	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the ordinary resolutions in relation to the SPA I, the SPA II and the transactions contemplated thereunder
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules governing the Listing of Securities on GEM of the Stock Exchange
"Group"	the Company and its subsidiaries
"Guangdong Zhenyuan"	Guangdong Zhenyuan Investment Company Limited*（廣東臻遠投資有限責任公司）, a company established in the PRC on 20 December 2021 with limited liability
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	the independent committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders on the SPA I, the SPA II and the transactions contemplated thereunder
"Independent Financial Adviser"	Octal Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the SPA I, the SPA II and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholder(s) other than those who are required under the GEM Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM to approve the SPA I, the SPA II and the transactions contemplated thereunder
"Issue Price"	the issue price of the Consideration Shares, being HK$0.12 per Consideration Share
"Last Trading Day"	26 April 2023, being the last trading day prior to the entering into of the SPA I and the SPA II
"Latest Practicable Date"	16 June 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
"Mr. Xu"	Mr. Xu Jianchun, the chairman and an executive Director of the Company
"Nanyue CB"	Shenzhen Nanyue Crown Block Bio Intelligent Equipment Investment Co., Ltd.* (深圳市南嶽天車生物智能裝備投資有限公司), a company established in the PRC on 8 March 2021 with limited liability
"Post-Acquisition Group"	the Group as enlarged by the increased equity interests in Zhongke Zhenhui and Guangdong Zhenyuan upon completion of the SPA I and the SPA II, respectively
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	shareholder(s) of the Company
"Shenzhen Huaxin"	Shenzhen Huaxin Times Investment Co., Ltd.*（深圳市華信時代投資有限公司）, a company established in the PRC on 24 February 2020 with limited liability
"SPA I"	a sale and purchase agreement dated 26 April 2023 entered into between the Company and Zhongke Xunda (as purchasers) and Nanyue CB (as vendor) in relation to the acquisition from Nanyue CB RMB16,200,000 paid-up capital of Zhongke Zhenhui contributed by Nanyue CB, which is equivalent to 20.25% of the equity interest in Zhongke Zhenhui
"SPA II"	a sale and purchase agreement dated 26 April 2023 entered into between the Company and Zhongke Xunda (as purchasers) and Shenzhen Huaxin (as vendor) in relation to the acquisition from Shenzhen Huaxin RMB15,000,000 paid-up capital of Guangdong Zhenyuan contributed by Shenzhen Huaxin, which is equivalent to approximately 21.43% of the equity interest in Guangdong Zhenyuan
"Specific Mandate I"	the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of 144,126,984 Conversion Shares
"Specific Mandate II"	the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of 142,500,000 Consideration Shares
"Specific Mandates"	Specific Mandate I and Specific Mandate II
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the same meaning as ascribed to it under the GEM Listing Rules

"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
"Zhongke Life"	Zhongke Life Holding Co., Limited* (中科生命控股有限公司), a company established in Hong Kong on 22 July 2019 with limited liability
"Zhongke Xunda"	Zhongke Xunda Biotechnology (Shenzhen) Company Limited* (中科訊達生物科技(深圳)有限公司), a company established in the PRC on 19 September 2019 with limited liability
"Zhongke Zhenhui"	Zhongke Zhenhui (Guangdong) Medical Technology Company Limited* (中科臻慧(廣東)醫療科技有限公司), a company established in the PRC on 19 May 2020 with limited liability
"Zhongke Zhenqi"	Zhongke Zhenqi Biotechnology (Hong Kong) Company Limited* (中科臻祺生物科技(香港)有限公司), a company established in Hong Kong on 9 April 2019 with limited liability
"%"	per cent

In this circular, amounts in RMB are translated into HK$ on the basis of RMB1 = HK$1.14. The conversion rate is for illustrative purpose only and should not be taken as a representation that RMB could actually be converted into HK$ at such rate or at all.

* *For identification purposes only*

SINO-LIFE GROUP LIMITED
中國生命集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8296)

Executive Directors:
Mr. XU Jianchun
Mr. LIU Tien-Tsai
Dr. XU Qiang

Independent non-executive Directors:
Mr. CHAI Chung Wai
Dr. YANG Jingjing
Ms. Hu Zhaohui

Registered office:
The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands

Registered office in Hong Kong:
18/F, Ovest
77 Wing Lok Street
Sheung Wan, Hong Kong

23 June 2023

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS:
(1) ACQUISITION OF 20.25% EQUITY INTEREST IN ZHONGKE ZHENHUI INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(2) ACQUISITION OF APPROXIMATELY 21.43% EQUITY INTEREST IN GUANGDONG ZHENYUAN INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND
(3) NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 26 April 2023 with respect to the major and connected transactions in relation to the (i) acquisition of 20.25% equity interest in Zhongke Zhenhui involving the issue of the Convertible Bonds under the Specific Mandate I; and (ii) acquisition of approximately 21.43% equity interest in Guangdong Zhenyuan involving the issue of the Consideration Shares under the Specific Mandate II.

The purpose of this circular is to provide you with, among other things, (i) further information of the Acquisitions; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisitions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions; (iv) financial information on Zhongke Zhenhui and Guangdong Zhenyuan; (v) unaudited pro forma financial information of the Post-Acquisition Group; (vi) other information as required under the GEM Listing Rules; and (vii) the notice of the EGM.

THE ACQUISITIONS

SPA I

On 26 April 2023 (after trading hours), the Company and Zhongke Xunda, an indirect wholly-owned subsidiary of the Company, entered into the SPA I with Nanyue CB, whereby Zhongke Xunda has conditionally agreed to acquire from Nanyue CB RMB16,200,000 paid-up capital of Zhongke Zhenhui contributed by Nanyue CB, which is equivalent to 20.25% equity interest in Zhongke Zhenhui at a consideration of RMB15,930,000 (equivalent to HK$18,160,000), which shall be satisfied by way of issue of the Convertible Bonds to Nanyue CB or its nominee(s) under the Specific Mandate I.

Principal terms of the SPA I are set forth below:

Date	:	26 April 2023 (after trading hours)
Parties	:	(1) Nanyue CB, as vendor; and (2) Zhongke Xunda and the Company, as purchasers
Subject matter	:	The Company and Zhongke Xunda have conditionally agreed to purchase, and Nanyue CB has conditionally agreed to sell, RMB16,200,000 paid-up capital of Zhongke Zhenhui contributed by Nanyue CB, which is equivalent to 20.25% equity interest in Zhongke Zhenhui.
Consideration	:	The consideration of RMB15,930,000 (equivalent to HK$18,160,000) shall be satisfied by way of issue of the Convertible Bonds to Nanyue CB or its nominee(s) under the Specific Mandate I within seven days following completion of the SPA I.

The consideration was determined after arm's length negotiation between the parties with reference to, among other things, (i) the registered capital of Zhongke Zhenhui of RMB80,000,000; (ii) the acquisition of RMB16,200,000 paid-up capital of Zhongke Zhenhui contributed by Nanyue CB; (iii) the financial performance and position of Zhongke Zhenhui as at 31 December 2022; (iv) the adjusted net asset value of Zhongke Zhenhui as at 31 December 2022; and (v) the reasons for and benefits of the Acquisitions as stated under the section headed "Reasons for and benefits of the Acquisitions" below.

The consideration was determined having considered the adjusted net asset value of Zhongke Zhenhui as at 31 December 2022 of approximately RMB79.3 million, which was derived based on the audited net asset value of Zhongke Zhenhui as at 31 December 2022 of approximately RMB15.1 million, and adjusted for adding (i) the share of retained profit of Guangdong Zhenyuan as at 31 December 2022 of approximately RMB0.3 million; (ii) the share of fair value gain on the investment assets of Guangdong Zhenyuan as at the Last Trading Day of approximately RMB1.0 million; and (iii) the unpaid registered capital of Zhongke Zhenhui as at 31 December 2022 of approximately RMB62.9 million. The consideration of the SPA I represented a discount of approximately 0.8% to the adjusted net asset value attributable to 20.25% of equity interest of Zhongke Zhenhui. Moreover, as disclosed in the sub-section headed "Reasons for and benefit of the Acquisitions", notwithstanding Zhongke Zhenhui is still at the start-up stage without a proven track record and has been loss-making since its establishment, the reasons for and benefit of the acquisition is to increase the Company's equity control over Zhongke Zhenhui so as to enhance the confidence of the potential investment partners with an aim to introduce/materialise high-quality investment projects. Based on the foregoing, the Directors (including the independent non-executive Directors) consider the consideration is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Conditions precedent : Completion of the SPA I is subject to the fulfilment of the following conditions:

(i) the Independent Shareholders having passed an ordinary resolution at the EGM to approve the SPA I and the transactions contemplated thereunder in accordance with the requirements of the GEM Listing Rules, the memorandum and articles of associations of the Company and any other relevant laws and regulations;

(ii) no court, arbitrator, authority, or other statutory or regulatory body having served, issued or made any notice, order, judgement, action or proceeding which restrains, prohibits or makes unlawful any transaction contemplated under the SPA I, or any notice, order, judgement, action or proceeding (if applicable) which is likely to affect the eligibility and right of the purchaser to legally own the target equity interest, free from encumbrances, on and after the completion date;

(iii) the Stock Exchange having granted the listing approval in relation to the listing of, and permission to deal in the Conversion Shares; and

(iv) having obtained the approval and permission from the relevant government department necessary for the execution of the transactions contemplated under the SPA I, and completed the changes in industry and business registration with the relevant Administration of Industry and Commerce of the PRC.

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

If the conditions precedent have not been satisfied on or before 31 December 2023, or such later date as Nanyue CB, Zhongke Xunda and the Company may agree, the SPA I shall cease and determine immediately on such date (save and except for some clauses which shall continue to have full force and effect), and thereafter neither Nanyue CB, Zhongke Xunda nor the Company shall have any obligations and liabilities which have been accrued prior to termination towards each other under the SPA I.

The Convertible Bonds

The principal terms of the Convertible Bonds are summarised as follows:

Issuer	:	The Company
Principal amount	:	HK$18,160,000
Maturity date	:	The sixth anniversary of the date of issue of the Convertible Bonds (the "**Maturity Date**").
Interest	:	1% per annum on the outstanding principal amount of the Convertible Bonds, payable in arrears on the Maturity Date.
Conversion Price	:	HK$0.126 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds which represents: (i) a premium of approximately 5.00% over the closing price of HK$0.120 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 4.13% over the average closing price of approximately HK$0.121 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 5.26% to the average closing price of approximately HK$0.133 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; (iv) a discount of approximately 10.00% to the closing price of HK$0.140 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (v) a discount of approximately 27.5% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK$0.174 (based on the audited consolidated statement of the financial position of the Company as at 31 December 2022 and the number of Shares in issue as at the Latest Practicable Date).

The Conversion Price, was determined after arm's length negotiation between the Company, Zhongke Xunda and Nanyue CB with reference to, among other things, the prevailing trading prices of the Shares.

Despite the Conversion Price represents a discount of approximately 27.5% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2022, having considered that the Shares were mostly traded under the audited consolidated net asset value per Share attributable to the Shareholders over the 12 months period prior to and including the Last Trading Day at an average of HK$0.145 per Share and that the prevailing Share price reflects the market's valuation on the Shares, the Directors consider it appropriate to determine the Conversion Price with reference to the prevailing trading prices of the Shares. The Directors (including the independent non-executive Directors) are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

Adjustment events : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, including but not limited to the followings:

(i) alteration of the nominal amount of the Shares by reason of any consolidation or subdivision, the Conversion Price shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

(ii) issue of Shares credited as fully paid by way of capitalisation of profits or reserves, the Conversion Price shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

(iii) capital distribution, the Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{\mathbf{A - B}}{\mathbf{A}}$$

where:

A = the market price on the date on which such distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date next preceding the date of such distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank (as defined in the CB Instrument) or the auditors of the Company for the time being), of the portion of such distribution or of such rights which is attributable to one Share

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the such distribution or the grant.

(iv) issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than 80 per cent. of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 80 per cent. of the market price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant).

(v) issue wholly for cash of Shares at a price per Share less than 80 per cent. of the market price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration (as defined in the CB Instrument) receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

As at the Latest Practicable Date, the Company has no plan or intention to carry out any adjustment events which may have an effect on the Conversion Price, accordingly the Directors considered that the Specific Mandate I is sufficient to cover the number of the Conversion Shares.

However, the Directors cannot rule out the possibility that the Company will conduct any corporate actions for supporting future development of the Group. The Company will re-comply with the GEM Listing Rules requirements if the Specific Mandate I is insufficient to cover the additional Conversion Shares upon any adjustments in the Conversion Price.

Conversion Shares :	Assuming the Conversion Rights are exercised in full at the initial Conversion Price, the 144,126,984 Conversion Shares to be issued represent (i) approximately 19.41% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 16.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to the full conversion of the Convertible Bonds); and (iii) approximately 14.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares and the Consideration Shares (assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to the full conversion of the Convertible Bonds, save for the issue of the Conversion Shares and the Consideration Shares).
Conversion Period :	The period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date.
Conversion Rights :	The holder of the Convertible Bonds shall, subject to compliance with the procedures set out in the conversion restrictions (as below), has the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into Conversion Shares provided further that any conversion shall be made in amounts of not less than a whole multiple of HK$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.
Conversion restrictions :	The Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights: (i) the holder of the Convertible Bonds and parties acting in concert with it will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and

(ii) would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 11.23(7) of the GEM Listing Rules.

Redemption	:	The bondholder may require the Company to redeem all or part of the Convertible Bonds in the multiples of HK$1,000,000 by given a notice of redemption at any time before the Maturity Date only in event that any bondholder has given a notice in respect of the occurrence of an event of default at the redemption price equal to 100% of the principal amount of all or part of the Bonds to be redeemed. The Company may voluntarily redeem all or any part of the Convertible Bonds at any time following the first anniversary of the date of issue of the Convertible Bonds and prior to the Maturity Date by repaying the holder(s) of the Convertible Bonds at the redemption price equal to 100% of the principal amount of all or part of the Convertible Bonds to be redeemed as may be determined by the Company together with the accrued interest after serving at least one-month prior notice.
Ranking of Conversion Shares	:	The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date. A holder of Conversion Shares issued shall not be entitled to any rights the record date for which precedes the relevant conversion date.
Voting rights	:	The bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only it being the bondholder.

Transferability	:	The bondholder may only assign or transfer the Convertible Bonds to the transferee other than a connected person (as defined in the GEM Listing Rules) subject to the prior written consent of the Company.
Application for listing	:	No application will be made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

The Conversion Shares will be issued under the Specific Mandate I.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares. The Conversion Shares to be allotted and issued shall rank *pari passu* among themselves and with all the Shares in issue on the date of conversion.

Subject to the granting of the approval of listing of, and permission to deal in, the Conversion Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Conversion Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Conversion Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Conversion Shares to be admitted into CCASS established and operated by HKSCC. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Completion of SPA I

Completion of SPA I shall take place after all the conditions precedent have been satisfied, or such later date as Zhongke Xunda, the Company and Nanyue CB may agree.

Upon completion of the SPA I, Zhongke Zhenhui will be held as to 71.25% by Zhongke Xunda and 28.75% by Nanyue CB. The financial information of Zhongke Zhenhui will continue to be consolidated into the consolidated financial statements of the Group.

The Group has no intention to acquire further interest in Zhongke Zhenhui.

SPA II

On 26 April 2023 (after trading hours), the Company and Zhongke Xunda, an indirect wholly-owned subsidiary of the Company, entered into the SPA II with Shenzhen Huaxin. Pursuant to the SPA II, Zhongke Xunda agreed to acquire from Shenzhen Huaxin RMB15,000,000 paid-up capital of Guangdong Zhenyuan contributed by Shenzhen Huaxin, which is equivalent to approximately 21.43% of the equity interest in Guangdong Zhenyuan at a consideration of RMB15,000,000 (equivalent to HK$17,100,000), which shall be satisfied by way of the issue of the Consideration Shares to Shenzhen Huaxin or its nominee(s) under the Specific Mandate II.

Principal terms of the SPA II are set forth below:

Date	:	26 April 2023 (after trading hours)
Parties	:	(1) Shenzhen Huaxin, as vendor; and (2) Zhongke Xunda and the Company, as purchasers
Subject matter	:	The Company and Zhongke Xunda have conditionally agreed to purchase, and Shenzhen Huaxin has conditionally agreed to sell, RMB15,000,000 paid-up capital of Guangdong Zhenyuan contributed by Shenzhen Huaxin, which is equivalent to approximately 21.43% of the equity interest in Guangdong Zhenyuan.
Consideration	:	The consideration of RMB15,000,000 (equivalent to HK$17,100,000) shall be satisfied by way of issue of the Consideration Shares to Shenzhen Huaxin or its nominee(s) under the Specific Mandate II within 14 days following completion of the SPA II. The consideration was determined after arm's length negotiation between the parties with reference to, (i) the registered capital of Guangdong Zhenyuan of RMB70,000,000 and the acquisition of capital contribution by Shenzhen Huaxin of RMB15,000,000 in Guangdong Zhenyuan; (ii) the financial performance and position of Guangdong Zhenyuan as at 31 December 2022; and (iii) the reasons for and benefits of the Acquisitions as stated under the section headed "Reasons for and benefits of the Acquisitions" below.

Out of the total paid-up capital of Guangdong Zhenyuan of RMB30,000,000 as at 31 December 2022, RMB15,000,000 was paid by Zhongke Zhenhui and RMB15,000,000 was paid by Shenzhen Huaxin. Pursuant to the SPA II, Zhongke Xunda is acquiring RMB15,000,000 paid-up capital contributed by Shenzhen Huaxin. Based on the ratio of paid-up capital, the net asset value of Guangdong Zhenyuan as at 31 December 2022 attributable to the RMB15,000,000 paid-up capital is approximately RMB15.3 million, which approximates to the consideration. Based on the foregoing, the Directors (including the independent non-executive Directors) consider the consideration is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Issue Price : HK$0.12 per Share, which represents:

(i) equivalent to the closing price of HK$0.120 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 0.83% to the average closing price of approximately HK$0.121 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 9.77% to the average closing price of approximately HK$0.133 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 14.29% to the closing price of HK$0.140 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 31.0% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK$0.174 (based on the audited consolidated statement of the financial position of the Company as at 31 December 2022 and the number of Shares in issue as at the Latest Practicable Date).

The Issue Price was determined after arm's length negotiations between the Company, Zhongke Xunda and Shenzhen Huaxin with reference to the recent trading prices of the Shares. Despite the Issue Price represents a discount of approximately 31.0% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2022, having considered that the Shares were mostly traded under the audited consolidated net asset value per Share attributable to the Shareholders over the 12 months period prior to and including the Last Trading Day at an average of HK$0.145 per Share and that the prevailing Share price reflects the market's valuation on the Shares, the Directors consider it appropriate to determine the Issue Price with reference to the prevailing trading prices of the Shares. Moreover, notwithstanding the Issue Price represents a slight discount of approximately 0.83% to the 5-days average closing price of the Share prior to and including the Last Trading Day, and a discount of approximately 9.77% to the 10-days average closing price of the Share prior to and including the Last Trading Day, the Directors are of the view that (i) such discounts fall within the range of premium/ discount of comparable share transactions of listed companies on the Stock Exchange in the prevailing market; and (ii) the introduction of Shenzhen Huaxin as a strategic shareholder of the Company further strengthens the relationship between the Company and Shenzhen Huaxin, allowing the Company to leverage on the resources of Shenzhen Huaxin to facilitate the growth and expansion of the Group's business. The Directors (including the independent non-executive Directors) are of the view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Conditions precedent :	Completion of the SPA II is subject to the fulfilment of the following conditions: (i) the Independent Shareholders having passed an ordinary resolution at the EGM to approve the SPA II and the transactions contemplated thereunder in accordance with the requirements of the GEM Listing Rules, the memorandum and articles of associations of the Company and any other relevant laws and regulations; (ii) no court, arbitrator, authority, or other statutory or regulatory body having served, issued or made any notice, order, judgement, action or proceeding which restrains, prohibits or makes unlawful any transaction contemplated under the SPA II, or any notice, order, judgement, action or proceeding (if applicable) which is likely to affect the eligibility and right of the purchaser to legally own the target equity interest, free from encumbrances, on and after the completion date; (iii) the Stock Exchange having granted the listing approval in relation to the listing of, and permission to deal in the Consideration Shares; and (iv) having obtained the approval and permission from the relevant government department necessary for the execution of the transactions contemplated under the SPA II, and completed the changes in industry and business registration with the relevant Administration of Industry and Commerce of the PRC. As at the Latest Practicable Date, none of the conditions have been fulfilled.

The Consideration Shares, being 142,500,000 Shares, represent: (i) approximately 19.19% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 16.10% of the issued share capital of the Company enlarged by the allotment and issue of the Consideration Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares); and (iii) approximately 13.85% of the issued share capital of the Company enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares and the Conversion Shares).

The Consideration Shares will be issued under the Specific Mandate II.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be allotted and issued shall rank *pari passu* among themselves and with all the Shares in issue as at the date of such issue.

Subject to the granting of the approval of listing of, and permission to deal in, the Consideration Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consideration Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consideration Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consideration Shares to be admitted into CCASS established and operated by HKSCC. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

If the conditions precedent have not been satisfied on or before 31 December 2023, or such later date as Shenzhen Huaxin, Zhongke Xunda and the Company may agree, the SPA II shall cease and determine immediately on such date (save and except for some clauses which shall continue to have full force and effect), and thereafter neither Shenzhen Huaxin, Zhongke Xunda nor the Company shall have any obligations and liabilities which have been accrued prior to termination towards each other under the SPA II.

Completion of SPA II

Completion of SPA II shall take place after all the conditions precedent have been satisfied, or such later date as Shenzhen Huaxin, Zhongke Xunda and the Company may agree.

Upon completion of the SPA II, Guangdong Zhenyuan will be held as to approximately 21.43% by Zhongke Xunda, approximately 57.14% by Zhongke Zhenhui and approximately 21.43% by Shenzhen Huaxin. The financial information of Guangdong Zhenyuan will continue to be consolidated into the consolidated financial statements of the Group.

The Group has no intention to acquire further interest in Guangdong Zhenyuan.

Completion of SPA I and SPA II are not inter-conditional.

INFORMATION OF THE PARTIES

Information of the Company, the Group and Zhongke Xunda

The Company is principally engaged in investment holding. The Group is principally engaged in the provision of funeral and related services in the PRC, Taiwan and Hong Kong, sale of burial plots and tombstones and provision of cemetery maintenance services in Vietnam, sales of advance biotechnical machineries and other electronic products in Hong Kong, investment activities in the PRC, and provision of advisory services on stem cells and immunocytes. With respect to the advisory services on stem cells and immunocytes of the Group, the Group is mainly responsible for customising health consulting solutions for customers, and entrusts suppliers to provide stem cell or immune cell services for the customers of the Group. During the COVID-19 epidemic, the Group's sales plan could not be effectively implemented due to social restrictions which the Group could not effectively approach its customers. Since May 2022, the company has not received orders from customers. In order to avoid incurring losses, the Company has temporarily suspended its sales activities and will choose to re-commence according to market conditions. The Group has no intention to dispose of or cease its advisory services on stem cells and immunocytes. The Group recognised revenue in relation to the provision of advisory services on stem cells and immunocytes in the first quarterly report of the Company for the three months ended 31 March 2022, interim report of the Company for the six months ended 30 June 2022 and third quarterly report of the Company for the nine months ended 30 September 2022. The management of the Company revisited the nature of the revenue during the preparation of annual report of the Company for the year ended 31 December 2022, and considered that the sundry income generated from the provision of consultancy service (i.e. an ancillary service) in relation to the sales of advanced biotechnical machineries was one-off nature and was not related to the principal business of the Company, thus the related sundry income has been reclassified to other income in the audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

The Group has formed a professional investment team, including but not limited to, (i) expert consultants in the biotechnology industry; (ii) investment and research professionals with solid experience in investment in biotechnology related industry; and (iii) professionals in management, finance, legal, etc.

Mr. Xu, the chairman of the Company and an executive Director, holds a doctorate degree in economics from Renmin University of China. Mr. Xu has many years of investment experience in the biotechnology sector. He has extensive experience in the biotechnology investment and operation field. Mr. Xu is appointed as a director of several biotechnology companies, and is also invited to be a special expert of a provincial scientific research institution.

Dr. Xu Qiang (徐強), an executive Director obtained his master's degree in materials physics and chemistry from Tsinghua University in 2003. In 2008, he has obtained a doctorate's degree in quantitative electron diffraction from Delft University of Technology in the Netherlands. Dr. Xu Qiang currently serves as the person in charge of the technical support platform of scientific research institutions in Guangdong Province.

In light of the foregoing, the Board has relevant management expertise and experience in the biotechnology industry where Zhongke Zhenhui and Guangdong Zhenyuan will invest in.

Zhongke Xunda is principally engaged in the businesses of research and development of medicine, development of biotechnology and biomedical engineering, consultancy of biotechnology etc.

Information of Nanyue CB

Nanyue CB is principally engaged in research and development of biological instrument, software data development and consulting services, data processing technology consulting and technical services, and project investment. Nanyue CB is ultimately controlled as to approximately 71.25% by Mr. Xu and his associates.

Nanyue CB is directly wholly-owned by Shenzhen Nanyue Asset Management Co., Ltd* (深圳市南嶽資產管理有限公司) (''**Nanyue AM**''). The remaining approximately 28.75% beneficiary interest of Nanyue CB, held through Nanyue AM, is owned by Fan Xiaoqiao (範小巧), Xiangxue Pharmaceutical Co., Ltd. (300147.SZ), Zhenshi Holding Group Co., Ltd.* (振石控股集團有限公司), Xiao Tiying (肖體英) and Wang Haifang (王海芳) as to approximately 11.4%, 9.5%, 5.0%, 1.85% and 1.0%, respectively. Zhenshi Holding Group Co., Ltd.* is owned as to approximately 70.28% and 25.23% by Zhang Yuqiang (張毓強) and Tongxiang Mushi Trading Co., Ltd.* (桐鄉務石貿易有限公司), respectively, with the remaining approximately 4.49% owned by three individuals. Tongxiang Mushi Trading Co., Ltd.* is ultimately wholly-owned by Zhang Jiankan (張健侃). To the best of the Directors' knowledge, having made all reasonable enquiries, the shareholders and their respective ultimate beneficial owners of the remaining approximately 28.75% equity interest of Nanyue CB are independent of and not connected with the Company or its connected persons.

Nanyue AM was established on 6 September 2013, being a private equity fund management institution registered with the Asset Management Association of China (中國證券投資基金業協會). It has been concentrating on biotechnological investments in recent years. Nanyue AM cooperates with scientists from a top research institution in China to promote the application and industrialisation of research results. Nanyue AM's investments mainly include genome sequencing, biological big data, cytokine, stem cells, tumor testing and targeted therapy, pestilence testing, treatment and vaccine development, and manufacturing of life science equipment.

Nanyue CB and Nanyue AM will utilise their resources and advantages to provide comprehensive support and empowerment for Zhongke Zhenhui's biotechnology investment business.

Information of Shenzhen Huaxin

Shenzhen Huaxin is principally engaged in investment consultation, venture capital, investment and engagement in industrial projects, etc. Shenzhen Huaxin is ultimately owned as to 99% by Mr. Ou Yafei (歐亞非) (“**Mr. Ou**”). To the best of the Directors’ knowledge, having made all reasonable enquiries, Shenzhen Huaxin and its ultimate beneficial owner are independent of and not connected with the Company or any of its connected persons, save for being a substantial shareholder of Guangdong Zhenyuan, an indirect non-wholly owned subsidiary of the Company. Hence, Shenzhen Huaxin is a connected person of the Company at its subsidiary level pursuant to Rule 20.07 of the GEM Listing Rules.

Shenzhen Huaxin was established on 24 February 2020. Shenzhen Huaxin is an investment platform focusing on high-technology industries including biotechnology sector. Shenzhen Huaxin has invested in projects in biotechnology related industries and other emerging industries.

Mr. Ou, being the executive director of Shenzhen Huaxin, is a high net-worth investor and has been engaged in investment activities for more than 30 years with rich management experience and outstanding performance in finance and securities investment. Mr. Ou has established and controlled a number of investment platforms, including but not limited to, Shenzhen JiaDexin Investment Limited* (深圳市加德信投資有限公司) (“**Shenzhen Jiadexin**”), Shenzhen New Era Venture Capital Co., Ltd.* (深圳市新時期創業投資有限公司), and Shenzhen Huaxinlian Investment Co., Ltd.* (深圳市華信聯投資有限公司), etc. In particular, Shenzhen Jiadexin was established on 9 July 1997 in the PRC with paid up capital of RMB210 million. To the best knowledge of the Directors, Shenzhen Jiadexin holds approximately 9.09% equity interest in ZhongAn Online P & C Insurance Co., Ltd. (6060.HK) and approximately 0.63% equity interest in Guangdong Fenghua Advanced Technology Holding Co., Ltd. (000636.SZ).

Mr. Ou and Shenzhen Huaxin are optimistic about the future development of the biotechnology industry and intend to leverage on their solid investment experience and industry resources to help promote development of the investment business of Guangdong Zhenyuan.

Information of Zhongke Zhenhui

Zhongke Zhenhui was established as a joint venture on 19 May 2020. Zhongke Zhenhui is principally engaged in investment activities, and it has invested in approximately 57.14% of Guangdong Zhenyuan. As at the Latest Practicable Date, Zhongke Zhenhui is owned as to 51% and 49% equity interests by Zhongke Xunda and Nanyue CB, respectively. As at the Latest Practicable Date, Zhongke Zhenhui has not formed a board of directors, and Mr. Xu Jianguo is nominated by the Company as an executive director of Zhongke Zhenhui. Immediately after completion of the SPA I, there shall be no change in the director of Zhongke Zhenhui, and there shall be no material change in the rights and responsibilities of the shareholders of Zhongke Zhenhui in all material aspect, other than those associated with the equity interest (e.g. voting rights).

Set out below is the audited financial information of Zhongke Zhenhui prepared in accordance with Hong Kong Financial Reporting Standards for the period from 19 May 2020 (its date of establishment) up to 31 December 2020 and the years ended 31 December 2021 and 2022:

	For the period from 19 May 2020 (date of establishment) to 31 December	Year ended 31 December	
	2020	2021	2022
	RMB	*RMB*	*RMB*
Revenue	–	–	–
Loss before taxation	(518,000)	(636,000)	(877,000)
Loss after taxation	(518,000)	(636,000)	(877,000)

Since its establishment, as affected by the coronavirus disease 2019 ("**COVID-19**"), save for the investment in Guangdong Zhenyuan, Zhongke Zhenhui has no other material investment project, therefore it has not recognised any revenue since its establishment. Net loss of Zhongke Zhenhui of approximately RMB0.9 million for the year ended 31 December 2022 was mainly attributable to (i) administrative expenses of approximately RMB0.6 million mainly comprised staff costs and depreciation of right-of-use assets; and (ii) fair value loss on financial assets measured at fair value through profit or loss ("**FVTPL**") of approximately RMB0.2 million. As at 31 December 2022, Zhongke Zhenhui has invested in certain stocks with underlying listed issuers principally engaged in the pharmaceutical industry in the PRC. None of these securities held by Zhongke Zhenhui represents over 5% of the issued share capital of the respective underlying listed issuers. For the year ended 31 December 2021, net loss of Zhongke Zhenhui of approximately RMB0.6 million was mainly due to the provision of expected credit loss on amount due from a fellow subsidiary in the Group of approximately RMB0.7 million.

As at 31 December 2022, Zhongke Zhenhui had audited net assets of approximately RMB15.1 million. As at the Latest Practicable Date, the registered capital of Zhongke Zhenhui is RMB80,000,000 with paid up capital amounted to RMB17,983,900, of which RMB16,250,000 is paid up by Nanyue CB and RMB1,733,900 is paid up by Zhongke Xunda. Zhongke Xunda and Nanyue CB are required to pay the remaining unpaid registered capital of Zhongke Zhenhui in proportion to their interest in Zhongke Zhenhui of RMB39,066,100 and RMB22,950,000, respectively on or before 31 December 2023 according to the shareholders' agreement following completion of the SPA I. As affected by the COVID-19 pandemic, Zhongke Zhenhui has not materialised any material investment project and hence did not have funding need. Therefore, the Group has negotiated and agreed with Nanyue CB to extend the deadline of capital contribution by Zhongke Xunda to 31 December 2023. Should any potential investment projects materialises before 31 December 2023 and Zhongke Zhenhui requires funding for such project(s), Zhongke

Xunda and/or Nanyue CB will pay up the unpaid capital of Zhongke Zhenhui prior to 31 December 2023 as needed. Zhongke Xunda, being the indirect wholly-owned subsidiary of the Company, shall settle its remaining unpaid registered capital of Zhongke Zhenhui by the internal resources of the Post-Acquisition Group and is financially capable to settle on or before 31 December 2023. Having considered the background of Nanyue CB as disclosed in the section "Information of Nanyue CB" and reviewed the financial information of Nanyue CB and Nanyue AM, including the current assets of Nanyue AM as at 31 December 2022, the Directors are of the view that Nanyue CB is financially capable to settle its remaining unpaid registered capital of Zhongke Zhenhui.

The accountants' report of Zhongke Zhenhui for the period from 19 May 2020 (date of establishment) to 31 December 2020 and the years ended 31 December 2021 and 2022 is set out in Appendix IIA to this circular.

Information of Guangdong Zhenyuan

Guangdong Zhenyuan was established as a joint venture on 20 December 2021. Guangdong Zhenyuan is principally engaged in investment activities. Since its establishment, Guangdong Zhenyuan has been focusing on identifying investments in companies engaging in the biotechnology industry and/or trading of relevant securities in the PRC. Income from such securities trading activities was recognised as FVTPL in the financial statements of Guangdong Zhenyuan and, as affected by the COVID-19, Guangdong Zhenyuan has no material investment projects, therefore, Guangdong Zhenyuan did not recognise any revenue since its establishment. Investment in biotechnology industry is the development direction of which Guangdong Zhenyuan remains optimistic in the long run. However, due to the government policies such as centralised procurement and medical insurance expense control in recent years, coupled with the adverse impact of the COVID-19 pandemic, the biotechnology industry in the PRC was under adjustment pressure, and created fluctuation on the respective share price. Under such circumstances, in order to enhance the efficiency of capital use with an aim for stable investment returns, as at 31 December 2022, Guangdong Zhenyuan has invested in certain securities (such as stocks, convertible bonds and exchange-traded funds) as short-term investment with underlying listed issuers principally engaged in (i) provision of engineering services; (ii) manufacture and sales of batteries, material, equipment, optical lens and machinery; and (iii) pharmaceutical, in the PRC. None of these securities held by Guangdong Zhenyuan represents over 5% of the issued share capital of respective underlying listed issuers.

As at the Latest Practicable Date, Guangdong Zhenyuan is owned as to approximately 57.14% and 42.86% equity interests by Zhongke Zhenhui and Shenzhen Huaxin, respectively. As at the Latest Practicable Date, the board of directors of Guangdong Zhenyuan has three directors, with Mr. Xu Jianguo and Ms. Qiu Qi being nominated by the Company and Ms. Chai Bing being nominated by Shenzhen Huaxin, respectively. Ms. Qiu Qi has solid experience in enterprise management, human resources management, design and construction of management system, etc, and provides professional analysis opinions on the operation and management of investment projects. She is also a director of Zhongke Guangju Cell Therapy (Guangdong) Co., Ltd.*(中科廣聚細胞醫療(廣東)有限公司).

Ms. Chai Bing has been engaged in financial management. She has extensive experience in investment and financing and has more than ten years of relevant experience. She obtains the qualification of intermediate accountant issued by the Ministry of Finance of the PRC. She is currently a director of Shenzhen Internet of Things Intelligent Technology Co., Ltd.*（深圳市萬物互聯智能科技股份有限公司） and a supervisor of Shenzhen Jia De Xin Investment Limited. Immediately after completion of the SPA II, the board of directors of Guangdong Zhenyuan shall remain unchanged, and there shall be no material change in the rights and responsibilities of the shareholders of Guangdong Zhenyuan in all material aspect, other than those associated with the equity interest (e.g. voting rights).

Set out below is the audited financial information of Guangdong Zhenyuan prepared in accordance with Hong Kong Financial Reporting Standards for the period from 20 December 2021 (its date of establishment) to 31 December 2021 and the year ended 31 December 2022:

	Period from 20 December 2021 (date of establishment) to 31 December 2021 *RMB*	**Year ended 31 December 2022** *RMB*
Revenue	–	–
Profit before taxation	–	550,000
Profit after taxation	–	535,000

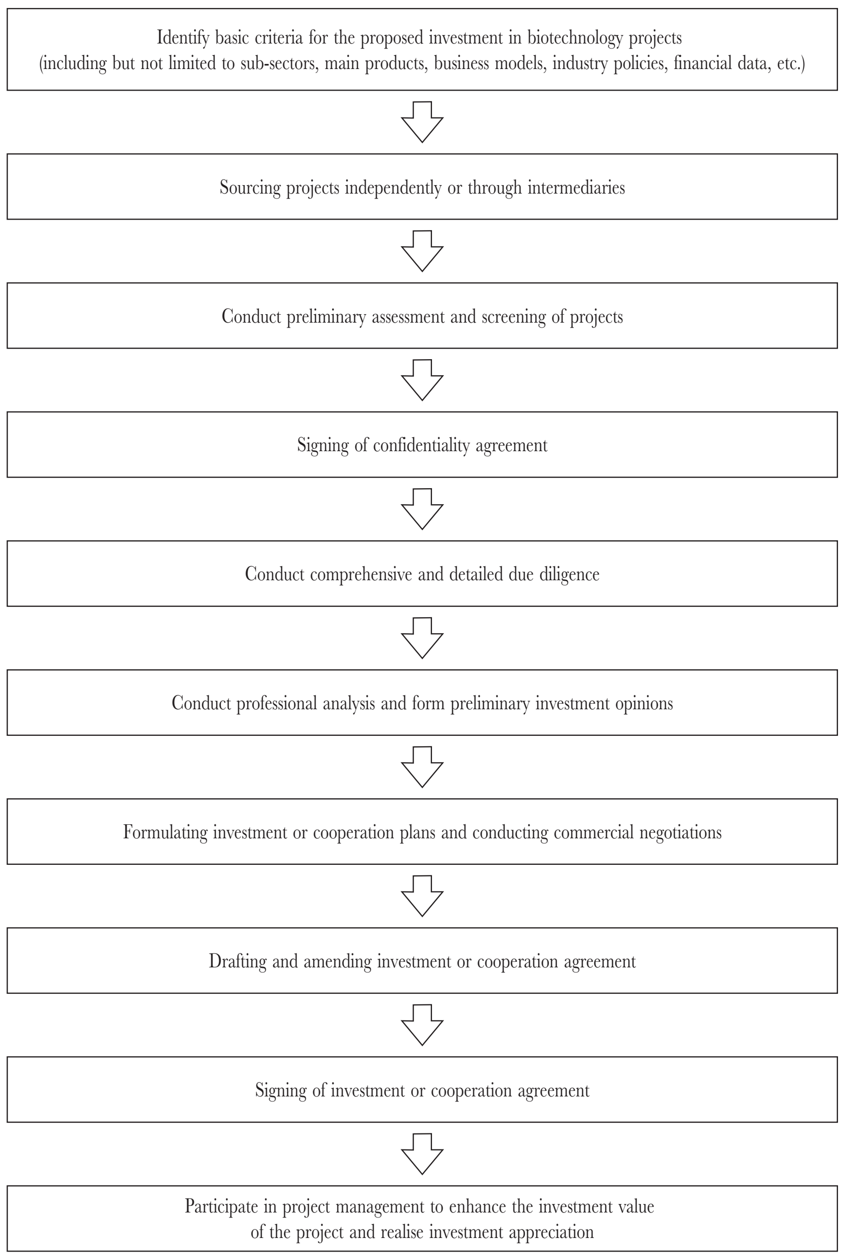
Profit before taxation of approximately RMB0.6 million for the year ended 31 December 2022 was mainly a result of the fair value gain on financial assets measured at fair value though profit or loss of approximately RMB1.5 million, and partially offset by administrative expenses of approximately RMB0.6 million which mainly comprised staff costs incurred during the year. As at 31 December 2022, Guangdong Zhenyuan had audited net assets of approximately RMB30.5 million. As at the Latest Practicable Date, the registered capital of Guangdong Zhenyuan is RMB70,000,000 with paid up capital amounted to RMB30,750,000, of which RMB15,750,000 is paid up by Zhongke Zhenhui and RMB15,000,000 is paid up by Shenzhen Huaxin. Zhongke Zhenhui and Shenzhen Huaxin is required to pay the remaining unpaid registered capital of Guangdong Zhenyuan in proportion to their interest in Guangdong Zhenyuan of RMB24,250,000 and RMB15,000,000, respectively on or before 30 June 2023 according to the shareholders' agreement following completion of the SPA II. As affected by the COVID-19 pandemic, Guangdong Zhenyuan have not materialised any material investment project and hence did not have funding need. The Group has negotiated and agreed with Shenzhen Huaxin to extend the deadline of capital contribution by Zhongke Zhenhui to 30 June 2023. Zhongke Zhenhui, being a non wholly-owned subsidiary of Zhongke Xunda, shall settle its remaining unpaid registered capital of Guangdong Zhenyuan by the internal resources of the Post-Acquisition Group and is financially capable to settle on or before 30 June 2023. Based on the background of Shenzhen Huaxin and Mr. Ou as disclosed in the section "Information of Shenzhen Huaxin", the Directors are of the view that Shenzhen Huaxin is financially capable to settle its remaining unpaid registered capital of Guangdong Zhenyuan.

The accountants' report of Guangdong Zhenyuan for the period from 20 December 2021 (date of establishment) to 31 December 2021 and the year ended 31 December 2022 is set out in Appendix IIB to this circular.

BUSINESS MODEL OF ZHONGKE ZHENHUI AND GUANGDONG ZHENYUAN

The business model of Zhongke Zhenhui and Guangdong Zhenyuan is to carry out equity investment and securities investment business with self-owned funds. The following diagrams illustrate the respective business models and details:

1. Equity investment



2. Investment in securities

Based on fundamental analysis, select securities from top to bottom analysis and establish securities pool

Conduct comprehensive analysis and research on securities and keep tracking

Formation of initial investment proposal

Formulate investment strategies and investment plans based on the overall market environment

Trading under trade orders

ROLES AND RESPONSIBILITIES OF SHAREHOLDERS OF ZHONGKE ZHENHUI AND GUANGDONG ZHENYUAN

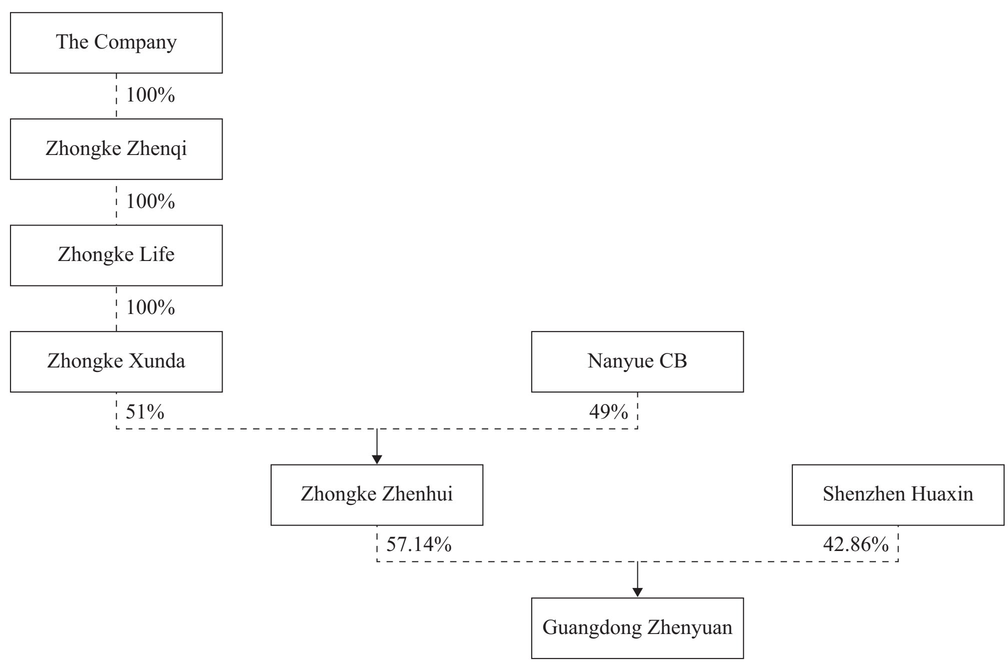
Zhongke Xunda and Nanyue CB being the shareholders of Zhongke Zhenhui, shall fulfill their respective obligation of capital contribution of Zhongke Zhenhui and shall not use their shareholder rights to damage the interests of Zhongke Zhenhui. To ensure healthy development of Zhongke Zhenhui as well as the proposed investment project(s), Zhongke Xunda and Nanyue CB shall participate in the business management of and provide comprehensive support to Zhongke Zhenhui. The roles and responsibilities of Zhongke Xunda and Nanyue CB, include but not limited to, (i) assist in formulating the business plan and investment plan; (ii) participate in setting up the sound internal control policies and procedures; (iii) assist in formulating the management system; and (iv) involve in planning the financial budget, profit distribution plan and contingency plan, of Zhongke Zhenhui.

Zhongke Zhenhui and Shenzhen Huaxin being the shareholders of Guangdong Zhenyuan, shall fulfill their respective obligation of capital contribution of Guangdong Zhenyuan and shall not use their shareholder rights to damage the interests of Guangdong Zhenyuan. To ensure healthy development of Guangdong Zhenyuan as well as the proposed investment project(s), Zhongke Zhenhui and Shenzhen Huaxin shall participate in the business management of and provide comprehensive support to Guangdong Zhenyuan. The roles and responsibilities of Zhongke Zhenhui and Shenzhen Huaxin, include but not limited to, (i) assist in formulating the business plan and investment plan; (ii) participate in setting up the sound internal control policies and procedures; (iii) assist in formulating the management system; and (iv) involve in planning the financial budget, profit distribution plan and contingency plan, of Guangdong Zhenyuan.

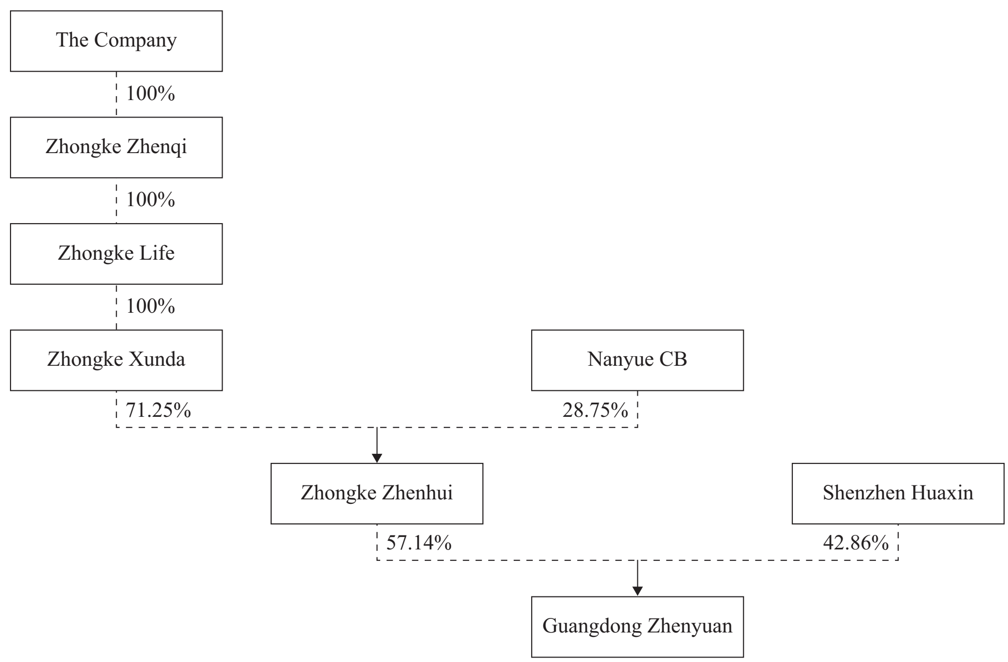
SHAREHOLDING STRUCTURE OF ZHONGKE ZHENHUI AND GUANGDONG ZHENYUAN

Set out below are the shareholding structures of Zhongke Zhenhui and Guangdong Zhenyuan (i) as at the date of the SPA I and SPA II; (ii) immediately upon completion of the SPA I (assuming the SPA II has not been completed); (iii) immediately upon completion of the SPA II (assuming the SPA I has not been completed); and (iv) immediately upon completion of the Acquisitions:

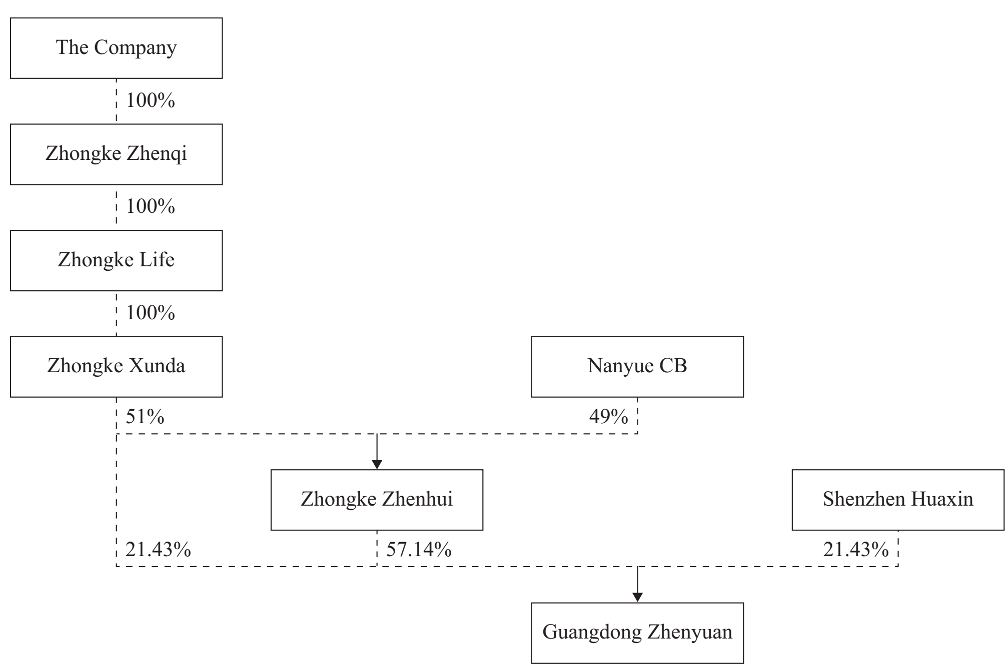
(i) As at the date of the SPA I and the SPA II



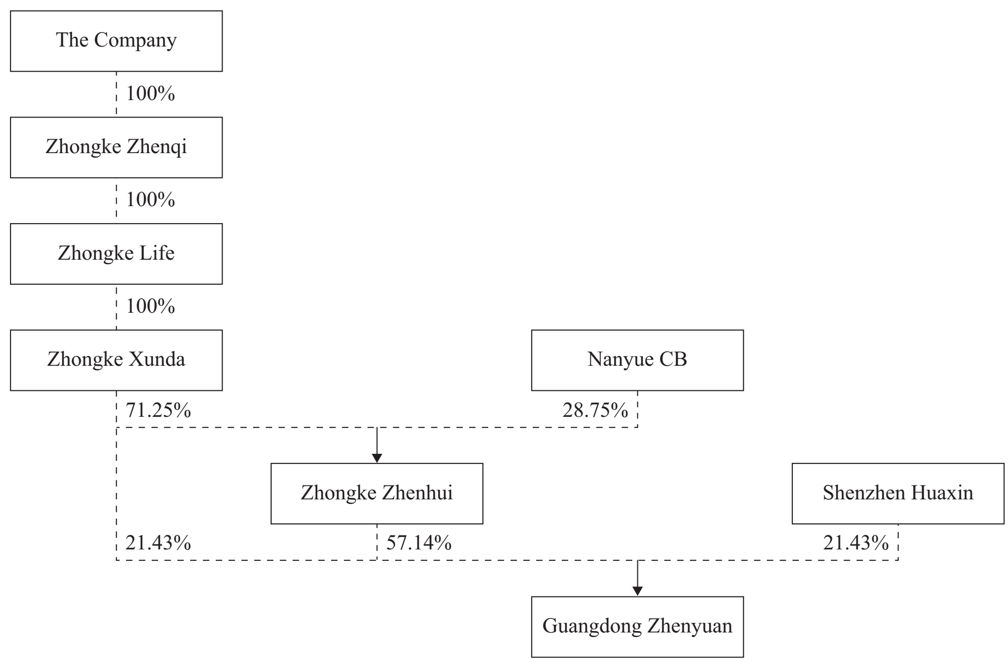
(ii) Immediately upon completion of SPA I (assuming SPA II has not been completed)



(iii) Immediately upon completion of SPA II (assuming SPA I has not been completed)



(iv) Immediately upon completion of the Acquisitions:



REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group has been actively seeking diversified sources of income in order to enhance returns to the Shareholders. The Group has formed a business system focusing on traditional funeral services and emerging biotechnology. The Group has made a presence in the biotechnology business since early 2019. The Company has positioned Zhongke Zhenhui as a specialised and comprehensive investment platform to focus on investment in the development direction of biotechnology, including but not limited to, biomedicine, medical healthcare, life science instruments etc., as well as those emerging industries which could create synergy effect. As disclosed in the announcement of the Company dated 13 September 2021, formation of the joint venture company, Guangdong Zhenyuan, enables the Group to engage in equity and/or securities investment business, and therefore further expanding the scale of investment.

The biotechnology industry is a strategic emerging industry strongly supported by national policies and is in a stage of rapid development. At present, the main business model of the biotechnology industry is: product research and development, clinical research (trial), product manufacturing, and marketing and sales. In addition, some biotech companies focus on conducting business in niche segments based on their own strengths or characteristics. For example, contract research organisations that provide research and development outsourcing services, contract manufacturing organisations that provide product manufacturing services, and sales companies that engage in product agency, etc. Based on the characteristics of the biotechnology industry such as long research and development (R&D) cycle, high R&D risks and large capital investment, the Company's business strategy is: firstly, to carry out the sales business as product distributor, and then to gradually make up for the Company's R&D shortcomings by acquiring biotechnology-related technologies, products or sales network through investment, to increase the Company's product categories, enrich the product structure, and expand the sales network, so as to form complementary effects and synergies. Currently, the Company has commenced the business of distribution of products, and the revenue is mainly generated from sales of products to customers; and costs mainly comprised the payment to suppliers for the purchase of products, staff wages, intermediary service fees, etc.

Since the outbreak of the COVID-19 in 2020, strict epidemic precaution and control measures have been implemented in the PRC, which resulted significant adverse impact on the investment business of Zhongke Zhenhui and Guangdong Zhenyuan, which hindered due diligence and negotiation process, and/or materially and adversely impacted the financial performance of potential investment targets which increased the financial risk of investing in such targets. Therefore, out of the principle of prudence, other than the investment in Guangdong Zhenyuan, Zhongke Zhenhui has yet to materialise its investment on other project companies. Similarly, Guangdong Zhenyuan has yet to materialise its investment, and only had a small portfolio of listed securities. With the easing of the COVID-19 and the gradual recovery of the economy in 2023, Zhongke Zhenhui and Guangdong Zhenyuan are determined to expand their investment teams and accelerate the pace of investment.

The bio-pharmaceutical industry is a national strategic emerging industry. The government has actively introduced relevant favorable policies to support the long-term innovative development of the industry. Coupled with the huge domestic market space, the industry as a whole is in a stable and positive development trend. At the same time, the pharmaceutical industry is also related to people's livelihood, and the price of some pharmaceutical products is windfall, resulting in the general public cannot afford medical treatment. Therefore, the government has issued relevant policies, and the selling price of some products included in the National Reimbursement Drug List will be significantly reduced. This has temporarily adversely affected the operating results of some pharmaceutical companies, and also affected investors' confidence and expectations, resulting in volatility in project valuation and share price in the industry. Against this background, the Company decided to acquire Zhongke Zhenhui and Guangdong Zhenyuan now for the following reasons: (i) affected by short-term policies, the industry experienced certain volatility in project valuation, which is a good investment window for Zhongke Zhenhui and Guangdong Zhenyuan to materialise the potential investment projects;

(ii) Zhongke Zhenhui and Guangdong Zhenyuan will not participate in project investments affected by policies; and (iii) the long-term positive development trend of the industry remains unchanged with good development potential and prospects.

Zhongke Zhenhui and Guangdong Zhenyuan will focus in investing in biotechnology industries, including but not limited to, biomedicine, medical health, life science instrument, etc., as well as those emerging industries which could create synergy effect to the Group's biotechnology business. For instance, (i) the introduction of products from the potential investment companies could expand the product categories currently provided by the Group; (ii) sales of existing products distributed by the Group are able to leverage on the sales network and resources of the potential investment companies; (iii) cooperation with the technical team of the potential investment companies on research and development activities of the Group; and (iv) to establish the Group as a comprehensive biotechnology company. It is intended that, subject to the source of the potential project, investment size of the potential project, available funding of Zhongke Zhenhui/Guangdong Zhenyuan and the intention of Nanyue CB/Shenzhen Huaxin, it is intended that Zhongke Zhenhui will mainly focus on investing in matured projects which are already in commercialisation, and revenue-generating and profit-making. On the other hand, Guangdong Zhenyuan will mainly focus on investing in startup companies and small businesses that are believed to have long-term growth potential. The main criteria for Zhongke Zhenhui to consider to invest in mature projects are:

(i) The principal businesses of the project companies are in an upward development stage and are not affected by industry policies;

(ii) The product structure of the project companies is reasonable, there is no risk of single product, and the products have certain core competitiveness;

(iii) The project companies have stable operations and sound governance, and are not subject to significant legal and financial risks; and

(iv) The operating results of the project companies were stable and positive, with operating revenue exceeding RMB80 million and operating profit exceeding RMB8 million for the latest year.

The main criteria for Guangdong Zhenyuan to consider to invest in start-up projects are:

(i) The project companies have continuous core research and development capabilities, and their principal businesses are supported by national industry policies and financial policies;

(ii) There are overseas peer listed products with broad domestic market demand;

(iii) At least one of the project companies' products has entered clinical trial phase I; and

(iv) The project companies have a reasonable shareholding structure and sound governance, and are not subject to significant legal and financial risks.

As at the Latest Practicable Date, Zhongke Zhenhui has identified two potential investment projects. The investment targets are mainly engaged in medical mechanical technology and pharmaceuticals. Zhongke Zhenhui has completed preliminary due diligence on one project, while another project is under preliminary negotiation. According to the preliminary investment plan of Zhongke Zhenhui and subject to respective investment agreements, Zhongke Zhenhui aims to fund, through its paid-up capital, an estimated investment amount for each of the investment targets of around RMB25 million to RMB30 million, targeting for approximately 35%-55% equity interest in each of the investment targets. While Zhongke Zhenhui plans to invest in the development of potential investment projects with its own funds, it will also participate in the operation and management of such project companies as and when appropriate and appoint directors and/or management personnel to enhance the management of the project companies. At the same time, it will also provide other empowerment services that are conducive to the development of the project companies, such as the connection of expert teams, financial institutions and business partners, to connect relevant resources for the business development needs of the project companies. The Group currently has not entered into any contracts, arrangements, understandings and/or commitments in relation to these potential investment projects.

As at the Latest Practicable Date, Guangdong Zhenyuan has identified three potential investment projects. The investment targets are mainly engaged in diagnostic services, biotechnology products and medical testing instruments which are under preliminary negotiation. According to the preliminary investment plan of Guangdong Zhenyuan and subject to respective investment agreements, Guangdong Zhenyuan aims to fund, through its paid-up capital, an estimated investment amount for each of the investment targets of around RMB10 million to RMB15 million, targeting for approximately 5%-10% equity interest in each of the investment targets. Guangdong Zhenyuan will establish a smooth communication mechanism with the project companies to keep abreast of the operation of the project and provide opinions or support for the development of the project companies. The Group currently has not entered into any contracts, arrangements, understandings and/or commitments in relation to these potential investment projects.

The Group has formed a business structure focusing on funeral services and biotechnology. In particular, the funeral services business is relatively stable and less affected by the macro-economy, but the potential for future development is weak. The Company will not increase its investment in such business and maintain the current stable development trend. The Company currently has no intention to downsize, cease or dispose of the funeral services business. The future development of the biotechnology industry is, on the other hand, promising. The Company will actively focus on the strategic opportunities of long-term development of the industry, and will invest more resources in due course to steadily expand the scale of this business. The Company's development goal is to improve the Company's operating conditions, enhance the Company's profitability and expand the Company's profit scale. In the future, the Company will take into account market factors, economic environment, industrial policies, technological innovation, international relations and other aspects, and will support businesses with profit growth, and reduce businesses that are continuously loss-making and cannot be reversed.

While Zhongke Zhenhui and Guangdong Zhenyuan intend to invest in the development of potential investment projects with their own funds, they will also participate in the operation and management of such project companies and appoint directors and/or management personnel to enhance the management of the project companies where appropriate. At the same time, it will also provide other empowerment services that are conducive to the development of the project companies, such as the connection of expert teams, financial institutions and business partners, to connect relevant resources for the business development needs of the project companies.

The formation of Zhongke Zhenhui and Guangdong Zhenyuan as joint ventures with the respective joint venture partners was intended to introduce business partners and to leverage on the partners' resources to accelerate the development, growth and return of the Group's investments. During the course of negotiations between Zhongke Zhenhui/Guangdong Zhenyuan and different potential investment targets, the Company noted that there was lack of confidence by potential investment partners that the Company does not have majority equity control (i.e. 70% or above) over Zhongke Zhenhui and Guangdong Zhenyuan. The potential investment partners prefer that the Company, being a listed company, would have majority control over Zhongke Zhenhui/Guangdong Zhenyuan in order to enhance their confidence on the future cooperation with Zhongke Zhenhui/Guangdong Zhenyuan. Through the Acquisitions, the Company will further increase its shareholding in Zhongke Zhenhui and Guangdong Zhenyuan, and allow the Company to enhance the cooperation confidence of potential business partners, which in turn accelerate the development of Zhongke Zhenhui and Guangdong Zhenyuan's investment business which is in line with the companies' intension to speed up their pace of investments, so as to achieve the goal of strengthening and expanding the investment in biotechnology business of the Group. By further increasing the Group's proportion of equity interests held in Zhongke Zhenhui and Guangdong Zhenyuan, as their investment teams expand, the pace of the investment business operations picks up and achieve growth in performance, the Group will be able to improve its income level thereby maximising the return to Shareholders.

The Directors are of the view that, in addition to maintaining the cooperation in Zhongke Zhenhui and Guangdong Zhenyuan, through the introduction of Nanyue CB and Shenzhen Huaxin as shareholders of the Company, the scope of cooperation with Nanyue CB and Shenzhen Huaxin can be further expanded to facilitate the expansion and diversification of the business of the Group.

Upon completion of the Acquisitions, the Group aims to continue to develop and operate the businesses of Zhongke Zhenhui and Guangdong Zhenyuan through (i) improving the relevant systems or processes in relation to equity investment, post-investment management and risk management; (ii) further optimising or supplementing the professional team according to the business development needs to enhance the team's investment expertise and level; (iii) deepening and expanding cooperation with third-party professional institutions to provide comprehensive assistance to the Company's investment business; (iv) leveraging on the advantageous resources of its shareholders, namely the Group, Nanyue AM, Nanyue CB and Shenzhen Huaxin, to support the development of the Company and the invested projects; and (v) establishing long-term and stable communication, exchange and cooperation mechanisms with project companies based on the concept of win-win cooperation.

Having considered the aforesaid, in particular, (i) the respective consideration of SPA I and SPA II approximates to the net asset value attributable to the subject assets; (ii) the loss-making position of Zhongke Zhenhui for the year ended 31 December 2022 was mainly because it has yet to commence any business operation or invested in material business/assets; (iii) through further increasing the Group's proportion of equity interests held in Zhongke Zhenhui and Guangdong Zhenyuan, so as to enhance the cooperation confidence of potential business partners on the future cooperation with Zhongke Zhenhui/Guangdong Zhenyuan, and as the pace of the investment business operations picks up and achieve growth in performance, the Group will be able to improve its income level thereby maximising the return to Shareholders; (iv) the introduction of Nanyue CB and Shenzhen Huaxin as shareholders of the Group can help strengthen the strategic cooperation between the parties, allowing the Group to capitalise on the expertise of the respective joint venture partners in the biotechnology industries and investments, in order to facilitate the growth and expansion of the Group's business. Despite the fact that (i) Zhongke Zhenhui and Guangdong Zhenyuan are still at their start-up stage; (ii) respective potential investment projects are still at the preliminary stage, the Directors (including the Independent non-executive Directors) consider that the Acquisitions are on normal commercial terms, and the terms of the SPA I and the SPA II are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Each of the Directors confirmed that, to the best of their knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months to the Latest Practicable Date, there has been, no material loan arrangement between (a) Nanyue CB, Shenzhen Huaxin, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of Nanyue CB and Shenzhen Huaxin; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transactions as disclosed in this circular).

FINANCIAL EFFECTS OF THE ACQUISITIONS

Earnings

Upon completion of the Acquisitions, the financial information of Zhongke Zhenhui and Guangdong Zhenyuan will continue to be consolidated into the consolidated financial statements of the Group.

Zhongke Zhenhui and Guangdong Zhenyuan do not have material income or expenses. Hence, no material impact on the earnings of the Group as a result of the completion of the Acquisitions is expected.

Assets and liabilities

The following table sets forth the financial effects of the Acquisitions on the Post-Acquisition Group identified in the unaudited pro forma financial information of the Post-Acquisition Group as set out in Appendix III to this circular, assuming that the Acquisitions had taken place on 31 December 2022:

	Unaudited consolidated statement of assets and liabilities of the Group as at 31 December 2022	**Upon completion of the Acquisitions (unaudited pro forma Post-Acquisition Group)**	**Increase/(decrease)**
	RMB'000	*RMB'000*	*%*
Net assets	130,817	109,087	(16.6)
Total assets	284,788	284,119	(0.2)
Total liabilities	153,971	175,032	13.7

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

EFFECT OF SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the allotment and issue of the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Conversion Shares); (iii) immediately upon the allotment and issue of the Consideration Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares); and (iv) immediately upon the allotment and issue of the Consideration Shares and the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares and the Conversion Shares):

	As at the Latest Practicable Date		Immediately upon the allotment and issue of the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Conversion Shares)		Immediately upon the allotment and issue of the Consideration Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares)		Immediately upon the allotment and issue of the Consideration Shares and the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares and the Conversion Shares)	
	Number of Shares held	*Approximate % (Note 3)*	*Number of Shares held*	*Approximate % (Note 3)*	*Number of Shares held*	*Approximate % (Note 3)*	*Number of Shares held*	*Approximate % (Note 3)*
Hong Kong Gaoqi Biological Technology Company Limited ("**HK Gaoqi**") *(Note 1)*	220,475,000	29.69	220,475,000	24.87	220,475,000	24.91	220,475,000	21.42
Nanyue CB *(Note 2)*	–	–	144,126,984	16.25	–	–	144,126,984	14.00
Subtotal	220,475,000	29.69	364,601,984	41.12	220,475,000	24.91	364,601,984	35.42
Shenzhen Huaxin	–	–	–	–	142,500,000	16.10	142,500,000	13.85
Public Shareholders	522,025,000	70.31	522,025,000	58.88	522,025,000	58.99	522,025,000	50.73
Total	742,500,000	100.00	886,626,984	100.00	885,000,000	100.00	1,029,126,984	100.00

Notes:

1. Mr. Xu is the director of HK Gaoqi, which holds 29.69% Shares, and the director of Houp Bio-Technology Limited ("**HBT Limited**"), which holds 9.78% of equity interests in HK Gaoqi. Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interests and 9.78% through HBT Limited. HBT Limited, a company incorporated in the British Virgin Islands, has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders' meeting respectively, and Mr. Xu holds 94.07% class A interests in HBT Limited and Ms. Qiu Qi, the spouse of Mr. Xu, holds 5.93% class A interests and 10.74% class B interests in HBT Limited. By virtue of the SFO, Mr. Xu is taken to be interested in all the shares held by Ms. Qiu Qi, so Mr. Xu collectively holds 86.78% of the total voting rights of the HBT Limited, and in turn is interested in 9.78% of HK Gaoqi.

2. This is for illustration purpose only. According to the Convertible Bonds, a bondholder shall not exercise any Conversion Rights, and the Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights, (i) the bondholder and/or parties acting in concert with it would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for the Shares held by the Company's other Shareholders; or (ii) the Company would fail to comply with the minimum public shareholding requirement stipulated under Rule 11.23(7) of the GEM Listing Rules.

3. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

The Acquisitions will not result in a change in control of the Company.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisitions in aggregate are more than 25%, but all of such ratios are less than 100%, the entering into of the SPA I and SPA II constitute major transactions of the Company under Rule 19.07 of the GEM Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, Nanyue CB is controlled as to approximately 71.25% by Mr. Xu (together with his associates), an executive Director and therefore a connected person of the Company. Accordingly, pursuant to Rule 20.10 of the GEM Listing Rules, Nanyue CB is an associate of a connected person of the Company and the entering into of the SPA I constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, Guangdong Zhenyuan, is controlled as to approximately 42.86% by Shenzhen Huaxin and approximately 57.14% by Zhongke Zhenhui, an indirect non-wholly owned subsidiary of the Company. Accordingly, pursuant to Rule 20.07 of the GEM Listing Rules, Shenzhen Huaxin is a connected person of the Company and the entering into of the SPA II constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As Mr. Xu (together with his associates) control approximately 71.25% of Nanyue CB, Mr. Xu is considered to have a material interest in the SPA I, he has therefore abstained from voting on the Board resolution in relation to the SPA I and the transactions contemplated thereunder (including the allotment and issue of the Convertible Bonds pursuant to SPA I) and the proposed grant of the Specific Mandate I. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Acquisitions. Mr. Xu and his associates are required to abstain from voting on the Shareholders' resolution(s) in relation to the SPA I and the transactions contemplated thereunder to be proposed at the EGM. Save for Mr. Xu and his associates, no Shareholder has a material interest in the transactions contemplated under the SPA I. As such, save for Mr. Xu and his associates, no Shareholder is required to abstain from voting on the Shareholders' resolution(s) in relation to the SPA I and the transactions contemplated thereunder to be proposed at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholders has a material interest in the transactions contemplated under the SPA II. As such, no Shareholder is required to abstain from voting on the Shareholders' resolution(s) in relation to the SPA II and the transactions contemplated thereunder to be proposed at the EGM.

EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. The EGM will be convened and held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong at 3:00 p.m. on 12 July 2023 for the purpose of considering and, if thought fit, approving the SPA I, SPA II and the transactions contemplated thereunder (including (a) the allotment and issue of the Convertible Bonds pursuant to SPA I and (b) the allotment and issue of the Consideration Shares pursuant to the SPA II) and the proposed grant of the Specific Mandates.

A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the GEM website (www.hkgem.com) and the Company (www.sinolifegroup.com). Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors has been established to give advice to the Independent Shareholders in respect of the Acquisitions. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Acquisitions, is set out on pages 45 to 46 of this circular. The Company has appointed Octal Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. The letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 84 of this circular.

The Directors (including the independent non-executive Directors, who have provided their opinions in this circular after taking into account of the opinions of Independent Financial Adviser) are of the view that the terms of the SPA I, SPA II and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable, and the entering into of the SPA I and SPA II are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

Shareholders and potential investors of the Company should note that the Acquisitions contemplated under the SPA I and the SPA II are subject to satisfaction of certain conditions precedent. Accordingly, they may or may not be completed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

FURTHER INFORMATION

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

Yours faithfully,
By Order of the Board
Sino-Life Group Limited
XU Jianchun
Chairman and Executive Director

SINO-LIFE GROUP LIMITED
中國生命集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8296)

23 June 2023

To the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS:
(1) ACQUISITION OF 20.25% EQUITY INTEREST IN ZHONGKE ZHENHUI INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND
(2) ACQUISITION OF APPROXIMATELY 21.43% EQUITY INTEREST IN GUANGDONG ZHENYUAN INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular dated 23 June 2023 (the "**Circular**") of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the SPA I, SPA II and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 47 to 84 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 6 to 44 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the terms of the SPA I and the SPA II and the letter from the Independent Financial Adviser, we consider that although the entering into of the SPA I and SPA II are not in the ordinary and usual course of business of the Group, the terms of the SPA I and SPA II are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and the transactions contemplated under the SPA I and SPA II are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed to approve the SPA I, the SPA II and the transactions contemplated thereunder at the EGM, respectively.

Yours faithfully,
Independent Board Committee

Mr. CHAI Chung Wai	**Dr. YANG Jingjing**	**Ms. Hu Zhaohui**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

金融有限公司
OCTAL Capital Limited

801-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

23 June 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTIONS:
(1) ACQUISITION OF 20.25% EQUITY INTEREST IN ZHONGKE ZHENHUI INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; AND
(2) ACQUISITION OF APPROXIMATELY 21.43% EQUITY INTEREST IN GUANGDONG ZHENYUAN INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the SPA I and SPA II, particulars of which are set out in the Letter from the Board (the "**Letter from the Board**") of the circular of the Company dated 23 June 2023 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined under the definition section of the Circular.

On 26 April 2023 (after trading hours), the Company and Zhongke Xunda, an indirect wholly-owned subsidiary of the Company, entered into the SPA I with Nanyue CB. Pursuant to the SPA I, Zhongke Xunda has conditionally agreed to acquire from Nanyue CB RMB16,200,000 paid-up capital of Zhongke Zhenhui contributed by Nanyue CB at the consideration of RMB15,930,000 (equivalent to HK$18,160,000), which shall be satisfied by way of issue of the Convertible Bonds to Nanyue CB or its nominee(s) under the Specific Mandate I. Upon completion of the SPA I, Zhongke Zhenhui will be held as to 71.25% by Zhongke Xunda and 28.75% by Nanyue CB.

On 26 April 2023 (after trading hours), the Company and Zhongke Xunda, an indirect wholly-owned subsidiary of the Company, entered into the SPA II with Shenzhen Huaxin. Pursuant to the SPA II, Zhongke Xunda agreed to acquire from Shenzhen Huaxin RMB15,000,000 paid-up capital of Guangdong Zhenyuan contributed by Shenzhen Huaxin at a consideration of RMB15,000,000 (equivalent to HK$17,100,000), which shall be satisfied by way of the issue of the Consideration Shares to Shenzhen Huaxin or its nominee(s) under the Specific Mandate II. Upon completion of SPA II, Guangdong Zhenyuan will be held as to approximately 21.43% by Zhongke Xunda, approximately 57.14% by Zhongke Zhenhui and approximately 21.43% by Shenzhen Huaxin.

Completion of SPA I and SPA II are not inter-conditional.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisitions in aggregate are more than 25%, but all of such ratios are less than 100%, the entering into of the SPA I and the SPA II constitute major transactions of the Company under Rule 19.07 of the GEM Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, Nanyue CB is controlled as to approximately 71.25% by Mr. Xu and his associates, and therefore a connected person of the Company. Accordingly, pursuant to Rule 20.10 of the GEM Listing Rules, Nanyue CB is an associate of a connected person of the Company and the entering into of the SPA I constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, Guangdong Zhenyuan, is controlled as to approximately 42.86% by Shenzhen Huaxin and approximately 57.14% by Zhongke Zhenhui, an indirect non-wholly owned subsidiary of the Company. Accordingly, pursuant to Rule 20.07 of the GEM Listing Rules, Shenzhen Huaxin is a connected person of the Company and the entering into of the SPA II constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chai Chung Wai, Dr. Yang Jingjing and Ms. Hu Zhaohui, has been formed to advise the Independent Shareholders on the SPA I, the SPA II and the transactions contemplated thereunder. We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the SPA I, the SPA II and the transactions contemplated thereunder.

As at the Latest Practicable Date, we were not connected with the directors, chief executive and substantial shareholders of the Company, Nanyue CB or Shenzhen Huaxin or any of their respective subsidiaries or associates and do not have any shareholding, directly or indirectly, 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 and is therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the SPA I, the SPA II and the transactions contemplated thereunder. During the last two years, we have not been engaged by the Company as an independent financial adviser to the Company. Accordingly, we consider that we are independent to act as the independent financial adviser pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Acquisitions, and the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information, among other things, (i) the SPA I and SPA II; (ii) the annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**") and the first quarterly report for the three months ended 31 March 2023 (the "**1Q2023 Report**"); (iii) the accountants' reports of Zhongke Zhenhui and Guangdong Zhenyuan as disclosed in Appendix IIA and IIB of the Circular; (iv) the Convertible Bonds; and (v) other information as set out in the Circular, to reach an informed view and justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Zhongke Zhenhui, Guangdong Zhenyuan, and any of their respective subsidiaries and their respective associates, nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of the Acquisitions, we have taken into consideration of the following principal factors and reasons:

1. Background of the Group

The Company is principally engaged in investment holding. The Group is principally engaged in (i) the provision of funeral and related services in the PRC, Taiwan and Hong Kong, sale of burial plots and tombstones and provision of cemetery maintenance services in Vietnam (the "**Funeral Services**"); and (ii) the provision of advisory services on stem cells and immunocytes and sales of advanced biotechnical machineries and other electronic products in Hong Kong (the "**Stem Cell and Immunocytes and Other Business**").

The table below summarises the major financial information of the Group for the years ended 31 December 2021 and 2022 ("**FY2021**" and "**FY2022**", respectively) extracted from the 2022 Annual Report and for the three months ended 31 March 2022 and 2023 ("**1Q2022**" and "**1Q2023**", respectively) extracted from the 1Q2023 Report.

RMB'000	**FY2021** (audited)	**FY2022** (audited)	**1Q2022** (unaudited)	**1Q2023** (unaudited)
Funeral Services	72,131	77,969	20,436	22,301
Stem Cells and Immunocytes and Other Business	733	–	144 *(Note)*	2,962
Total revenue	**72,864**	**77,969**	**20,580**	**25,263**
Gross profit	**37,977**	**39,800**	**11,417**	**8,995**
Administrative expenses	(35,432)	(31,991)	(6,505)	(7,272)
Loss on written off of prepayment	(12,013)	–	–	–
Loss on disposal of a subsidiary	(31)	–	–	–
Gain on disposal of associates	–	500	–	–
Others	(8,176)	(7,683)	(3,594)	161
(Loss)/profit for the year/period	**(17,675)**	**626**	**1,318**	**1,884**

Source: 2022 Annual Report and 1Q2023 Report

Note: As advised by the management of the Company, the revenue recognised in the Stem Cells and Immunocytes and Other Business for 1Q2022 was generated from consultancy service (i.e. an ancillary service) in relation to the advanced biotechnical machineries. The management of the Company revisited the nature of such sundry income during the preparation of 2022 Annual Report and considered that such sundry income was one-off nature and was not related to the principal business of the Group, thus the related income has been reclassified to other income in the audited consolidated statement of profit or loss and other comprehensive income for FY2022.

FY2022 compared to FY2021

The revenue of the Group increased from approximately RMB72.9 million in FY2021 to approximately RMB78.0 million in FY2022, representing an increase of approximately RMB5.1 million or 7.0%. Such increase was mainly driven by the provision of funeral, cremation and cemetery services in Chongqing as the control measures in relation to coronavirus disease 2019 ("**COVID-19**") have been relaxed. During FY2022, the Group has not generated any revenue from the Stem Cells and Immunocytes (being provision of advisory services on stem cells and immunocytes) and Other Business (being sales of advanced biotechnical machineries and other electronic products in Hong Kong). With respect to the advisory services on stem cells and immunocytes, the Group is mainly responsible for customising health consulting solutions for customers, including advisory on health examination and stem cell or immunocytes services via the Group's suppliers. As advised by the management of the Company, due to the spread of COVID-19 pandemic in Guangzhou during FY2022, the stem cells and immunocytes market has slowed down. The pandemic control and lockdown policies imposed by the PRC government made a challenge for the Group to solicit new customers. In order to minimise overheads, the Group has temporarily suspended the sales activities in advisory service on stem cells and immunocytes since May 2022 and has not resumed as at Latest Practicable Date. The Group has no intention to dispose of or cease this advisory service and will consider to resume according to the market conditions. With respect to the sales of advanced biotechnical machineries and other electronic products in Hong Kong, the Group, as a distributor, sells the advanced biotechnical machineries (with the installation services) to its customers. As advised by the management of the Company, the installation services, being part of the sales of advanced biotechnical machineries, is one of the revenue recognition criteria of the related revenue.

The Group was turned around from a loss of approximately RMB17.7 million in FY2021 to a profit of approximately RMB0.6 million in FY2022. The loss-making performance of the Group in FY2021 was mainly caused by a significant write-off of prepayment of approximately RMB12.0 million. Such prepayment was a commission paid to a Taiwan funeral service agent which was dissolved during FY2021 and the Directors considered that the Group is no longer able to request future services from this agent and chance of recovering the prepayment made to this agent is remote. During FY2022, the salaries of the Company's executives and senior managements were trimmed down as part of the cost control policy and thus the administrative expenses were reduced from RMB35.4 million to RMB32.0 million. The Group recorded a one-off gain on disposal of associates in FY2022 amounted to RMB0.5 million.

1Q2023 compared to 1Q2022

The revenue of the Group increased from approximately RMB20.6 million in 1Q2022 to approximately RMB25.3 million in 1Q2023, representing an increase of approximately RMB4.7 million or 22.8%. Such increase was mainly driven by (i) an increase in demand for the Group's funeral, cremation, and cemetery services in Chongqing and Taiwan; and (ii) an increase in revenue from sale of advanced biotechnical machinery due to the successful installment of an advanced biotechnical machinery.

The Group recorded profit of approximately RMB1.9 million in 1Q2023, representing an increase of approximately RMB0.6 million or 42.9% as compared to that in 1Q2022. Such increase was mainly due to (i) an increase in fair value gain on financial assets measured at fair value through profit or loss ("**FVTPL**") by approximately RMB2.4 million; and (ii) an increase in gain on disposal of financial assets measured at FVTPL by approximately RMB1.9 million.

Major items of the audited consolidated financial position of the Company as at 31 December 2022 are summarised as below:

	As at 31 December 2022 *RMB'000* (unaudited)
Non-current assets	
Property, plant and equipment	31,588
Right-of-use assets	22,918
Other non-current assets	9,205
	63,711
Current assets	
Financial assets measured at FVTPL	58,777
Trade and other receivables and deposits paid	34,201
Cash and cash equivalents	112,477
Other current assets	15,622
	221,077
Total assets	**284,788**
Non-current liabilities	
Bank borrowings	3,590
Other non-current liabilities	22,278
	25,868
Current liabilities	
Contract liabilities	89,660
Bank borrowings	1,198
Other current liabilities	37,245
	128,103
Total liabilities	**153,971**
Net current assets	**92,974**
Net assets	**130,817**

Source: 2022 Annual Report

As at 31 December 2022, the Group's total assets mainly comprise of financial assets measured at FVTPL and cash and cash equivalents amounted to approximately RMB58.7 million and RMB112.5 million, respectively, represented approximately 20.6% and 39.5% of the total assets, respectively.

The Group's liabilities mainly include contract liabilities amounted to approximately RMB89.7 million as at 31 December 2022, represented approximately 58.2% of total liabilities as at 31 December 2022.

2. Background information of Zhongke Zhenhui

Zhongke Zhenhui was established as a joint venture on 19 May 2020. Zhongke Zhenhui is principally engaged in investment activities. As at the Latest Practicable Date, Zhongke Zhenhui has not formed a board of directors, and Mr. Xu Jianguo is nominated by the Company as an executive director of Zhongke Zhenhui.

Zhongke Zhenhui is positioned as a comprehensive investment platform of the Group and to identify suitable investments and/or business opportunities for diversification of the Group's business and source of income, and enhancement of the Group's long-term growth potential. Zhongke Zhenhui has equity interests of approximately 57.14% of Guangdong Zhenyuan.

According to the announcement of the Company dated 13 September 2021, Zhongke Xunda entered into the capital increase agreement with Nanyue CB to increase the registered capital of Zhongke Zhenhui from RMB10 million to RMB80 million, with contribution from the two parties on a pro rata basis. (Zhongke Xunda and Nanyue CB should make capital contribution of RMB40,800,000 and RMB39,200,000 respectively). As at Latest Practicable Date, the remaining unpaid registered capital of RMB39,066,100 and RMB22,950,000 should be contributed by Zhongke Xunda and Nanyue CB on or before 31 December 2023 respectively.

By further increasing the registered capital of Zhongke Zhenhui, the Company considers that it could provide sufficient funds for Zhongke Zhenhui to grasp the investment opportunities that become available from time to time, which in turn is expected to bring investment return to the Group. Zhongke Zhenhui will mainly focus on investing in matured projects which are already in commercialisation, and revenue-generating and profit-making, especially the projects in relation to biotechnology, including but not limited to biomedicine, medical healthcare, life science instruments, etc.

The table below summarises major financial information of Zhongke Zhenhui for the period from 19 May 2020 (date of establishment) to 31 December 2020, FY2021 and FY2022 extracted from the accountants' report of Zhongke Zhenhui as shown in the Appendix IIA of the Circular:

RMB'000	From 19 May 2020 (date of establishment) to 31 December 2020	FY2021	FY2022
	(audited)	(audited)	(audited)
Fair value gain/(loss) on financial assets measured at FVTPL	–	471	(225)
Administrative expenses	(513)	(235)	(615)
Impairment loss recognised under expected credit loss model on amount due from a fellow subsidiary	–	(700)	–
Loss on disposal of a subsidiary	–	(187)	–
Others	(5)	15	(37)
Net loss after tax	(518)	(636)	(877)

Zhongke Zhenhui has not generated any revenue since its establishment. For the period from 19 May 2020 to 31 December 2022, Zhongke Zhenhui recorded net loss of approximately RMB518,000, which was mainly attributable to the administrative expenses, and salaries, recognised during the period.

Zhongke Zhenhui recorded fair value gain on financial assets measured at FVTPL of approximately RMB471,000 and net loss of approximately RMB636,000 for FY2021. The net loss was mainly due to the impairment loss recognised under expected credit loss model on amount due from a fellow subsidiary amounted to approximately RMB700,000 and the loss on disposal of Zhongke Kangyuan (Guangzhou) Biotechnology Company Limited amounted to approximately RMB187,000.

Zhongke Zhenhui recorded net loss of approximately RMB877,000 for FY2022. The net loss was mainly due to the fair value loss on financial assets measured at FVTPL amounted to approximately RMB225,000 and the increase in administrative expenses.

The table below summarises the financial position of Zhongke Zhenhui as at 31 December 2022 extracted from the accountants' report of Zhongke Zhenhui as shown in the Appendix IIA of the Circular.

	As at 31 December 2022 *RMB'000* (audited)
Non-current assets	
Investment in Guangdong Zhenyuan	15,000
	15,000
Current assets	
Financial assets measured at FVTPL	5
Other receivables	3
Cash and cash equivalents	65
	73
Total assets	**15,073**
Current liabilities	
Other payables and accruals	14
	14
Net current assets	**59**
Net assets	**15,059**

The assets of Zhongke Zhenhui mainly include the investment in Guangdong Zhenyuan.

Background information of Guangdong Zhenyuan

On 13 September 2021, Zhongke Zhenhui and Shenzhen Huaxin entered into a joint venture agreement in relation to the establishment of Guangdong Zhenyuan. Guangdong Zhenyuan is a limited liability company established in the PRC on 20 December 2021 and is a subsidiary of the Company since its establishment. As at the Latest Practicable Date, the board of directors of Guangdong Zhenyuan comprises three directors, namely Mr. Xu Jianguo and Ms. Qiu Qi being nominated by the Company and Ms. Chai Bing being nominated by Shenzhen Huaxin, respectively.

The registered capital of Guangdong Zhenyuan is RMB70 million. Zhongke Zhenhui has paid up RMB15.75 million and Shenzhen Huaxin has paid up RMB15 million as at the Latest Practicable Date. The unpaid registered capital of RMB24.25 million and RMB15 million will be paid by Zhongke Zhenhui and Shenzhen Huaxin respectively on or before 30 June 2023. As at the Latest Practicable Date, Guangdong Zhenyuan is owned as to 57.14% and 42.86% equity interests by Zhongke Zhenhui and Shenzhen Huaxin, respectively.

Guangdong Zhenyuan is principally engaged in investment activities. Since its establishment, Guangdong Zhenyuan has been focusing on identifying investments in companies engaging in the biotechnology industry and/or trading of relevant securities in the PRC.

The table below summarises the major financial information of Guangdong Zhenyuan for the period from 20 December 2021 (date of establishment) to 31 December 2021 and FY2022 extracted from the accountants' report of Guangdong Zhenyuan as shown in the Appendix IIB of the Circular:

RMB'000	**From 20 December 2021 (date of establishment) to 31 December 2021**	**FY2022**
	(audited)	(audited)
Fair value gain on financial assets measured at FVTPL	–	1,149
Administrative expenses	–	(633)
Others	–	19
Net profit after tax	–	535

During FY2022, Guangdong Zhenyuan mainly conducted trading of listed securities in the PRC and recorded fair value gain on financial assets measured at FVTPL of approximately RMB1.1 million. Guangdong Zhenyuan recorded a net profit of approximately RMB535,000 for FY2022.

The table below summarises the financial position of the Guangdong Zhenyuan as at 31 December 2022 extracted from the accountants' report of Guangdong Zhenyuan as shown in the Appendix IIB of the Circular:

	As at 31 December 2022
	RMB'000
	(unaudited)
Current assets	
Financial assets measured at FVTPL	26,001
Cash and cash equivalents	4,629
	30,630
Current liabilities	
Other payables	80
Income tax payable	15
	95
Net assets	**30,535**

As at 31 December 2022, Guangdong Zhenyuan have invested in a portfolio of investment including equity securities, debt instruments and exchange traded funds which are listed in the PRC for trading purpose and were stated at fair value with reference to bid prices quoted in an active market with a carrying amount of approximately RMB26.0 million. The net assets of Guangdong Zhenyuan was approximately RMB30,535,000 as at 31 December 2022.

3. Background information of Nanyue CB and Shenzhen Huaxin

Nanyue CB

Nanyue CB is principally engaged in research and development of biological instrument, software data development and consulting services, data processing technology consulting and technical services, and project investment. Nanyue CB is directly wholly-owned by Shenzhen Nanyue Asset Management Co., Ltd* (深圳市南嶽資產管理有限公司) ("**Nanyue AM**"). Nanyue AM is owned as to approximately 71.25% by Mr. Xu and his associates in aggregate.

Shenzhen Huaxin

Shenzhen Huaxin was established on 24 February 2020 and is principally engaged in investment consultation, venture capital, investment in industrial projects, etc. Shenzhen Huaxin is an investment platform focusing on high-technology industries including biotechnology sector. Shenzhen Huaxin has invested in projects in biotechnology related industries and other emerging industries. Shenzhen Huaxin is ultimately owned as to 99% by Mr. Ou Yafei (歐亞非) ("**Mr. Ou**").

4. Reasons for and benefits of the Acquisitions

Statutory policies of biotechnology industry

In early 2021, the PRC government announced its 14th five-year plan, in which biotechnology industry was listed as one of the eight scientific development focuses. The PRC government also indicated the construction of national laboratories regarding biotechnology to assist the research and development activities within the industry.

Other than the favourable policies mentioned above, the increased income of residents, enhanced health awareness and ageing population contributed to the vigorous development of biotechnology industry. According to National Bureau of Statistics, revenue from the new products in the pharmaceutical manufacturing industry reached approximately RMB1,105 billion in 2021, representing an increase of approximately 43.5% as compared to that in 2020 and the revenue from the biological and biochemical products manufacturing industry reached approximately RMB348 billion, representing an increase of approximately 254.5% as compared to that in 2020.

In-line with development strategy of the Group

As disclosed in the 2022 Annual Report, biotechnology is the Group's long-term focus for its business development. While consolidating the traditional funeral services business, the Group will actively seize the strategic opportunities arising from the booming development of the biotechnology industry, allocate more resources to support the development of the Group's biotechnology business, and will actively seek suitable investment targets and opportunities from time to time to diversify income sources and promote business development. With the relaxation of the anti-pandemic measures in the PRC, the advanced biotechnical equipment sold and distributed by the Group will be gradually delivered to the customers and complete the installation.

In order to further promote the rapid development of the biotechnology business, Zhongke Zhenhui has positioned as a specialized investment platform of the Group, mainly focusing on the investment in biotechnology industry and emerging industries with development prospects, including but not limited to, biomedicine, medical healthcare, life science instruments etc., as well as those emerging industries which could create synergy effect including (i) products from the potential investee companies could expand the product categories of the Group; (ii) leveraging on the sales network and resources of the potential investee companies to expand the sales channel for the Group's products; (iii) cooperation with the technical team of the potential investee companies on the future potential projects; and (iv) consolidation with the resources of the potential investee companies to establish the Company as a comprehensive biotechnology company. Zhongke Zhenhui invests on Guangdong Zhenyuan and owns 57.14% of the equity interests of Guangdong Zhenyuan which is currently engaged in securities investment business, and is actively seeking suitable investment opportunities to expand the investment scale and maximize the investment income of the Group and the return to the Shareholders.

The Group has formed a professional investment team, including but not limited to, (i) expert consultants in the biotechnology industry; (ii) investment and research professionals with solid experience in investment in biotechnology related industry; and (iii) finance and legal professional staff, etc. Mr. Xu, the chairman of the Company and an executive Director, has extensive experience in the biotechnology investment and operation field. Dr. Xu Qiang, an executive Director, is the person in charge of the technical support platform of scientific research institutions in Guangdong Province.

Since the outbreak of the COVID-19 in 2020, strict pandemic control measures have been implemented in the PRC, and resulted in significant adverse impact on the investment business of Zhongke Zhenhui and Guangdong Zhenyuan, the pandemic hindered due diligence progress and negotiation process, and/or materially and adversely impacted the financial performance of potential investment targets which increased the financial risk of investing in such targets. Therefore, out of the principle of prudence, Zhongke Zhenhui and Guangdong Zhenyuan have yet to materialise any material investment projects. With the easing of the COVID-19 and the gradual recovery of the economy in 2023, Zhongke Zhenhui and Guangdong Zhenyuan are determined to expand their investment teams and accelerate the pace of investment.

As advised by the management of the Company, subject to the source of the potential project, investment size of the potential project, available funding of Zhongke Zhenhui and Guangdong Zhenyuan and the intention of Nanyue CB and Shenzhen Huaxin, Zhongke Zhenhui will mainly focus on investing in matured projects which are already in commercialisation, and revenue-generating and profit-making, while Guangdong Zhenyuan will mainly focus on investing in startup companies and small businesses that are believed to have long-term growth potential.

More importantly, the co-operation among the Company, Nanyue CB and Shenzhen Huaxin have been in good term and they have mutually agreed to speed up the pace of investments since the easing of the COVID-19 pandemic and the macroeconomic environment in the PRC has returned to normal. The Company considered that it is beneficial for the Company to further increase its shareholding interests in these two subsidiaries in order to capture the future revenue growth of Zhonghe Zhenhui and Guangdong Zhenyuan and increase the income contribution to the Company, as well as further enhance the Company's control in Zhongke Zhenhui and Guangdong Zhenyuan.

Strengthen cooperation with Nanyue CB

Nanyue CB is directly wholly-owned by Nanyue AM, a private equity fund management institution registered with the Asset Management Association of China (中國證券投資基金業協會). We understand that Nanyue AM has been concentrating on biotechnological investments in recent years and cooperates with scientists from a top research institution in China to promote the application and industrialisation of research results in the area of biotechnology. Based on the information provided by the management of the Company, Nanyue AM's investments mainly include genome sequencing, biological big data, cytokine, stem cells, tumor testing and targeted therapy, pestilence testing, treatment and vaccine development, and manufacturing of life science equipment.

With the extensive knowledge and experience of Nanyue AM in the investment in the biotechnology area, Nanyue AM would assist in sourcing potential projects and evaluating potential investment opportunities for Zhongke Zhenhui which will strengthen its investment portfolio and the investment return of Zhongke Zhenhui. As at the Latest Practicable Date, Zhongke Zhenhui has identified two potential investment projects which are mainly engaged in medical mechanical technology and pharmaceuticals. Zhongke Zhenhui has completed preliminary due diligence on one project, while another project is under preliminary negotiation. Zhongke Zhenhui currently has not entered into any contracts, arrangements, understandings and/or commitments in relation to these potential investment projects.

In order to leverage on the industry experience of Nanyue AM, the Directors consider that it is advantageous for the Company to continue its partnership with Nanyue CB in long run.

Strengthen cooperation with Shenzhen Huaxin

Shenzhen Huaxin is ultimately owned as to 99% by Mr. Ou. who is also the executive director of Shenzhen Huaxin. Mr. Ou has been engaged in investment activities for more than 30 years with management experience in finance and securities investment. Mr. Ou has established and operated investment platforms, including but not limited to, Shenzhen JiaDexin Investment Limited which was established on 9 July 1997 in the PRC with paid up capital of RMB210 million. According to the circular of the Company dated 29 October

2021, Shenzhen Huaxin has been committed to provide comprehensive support to Guangdong Zhenyuan, including (i) assist in formulating its business plan and investment plan; (ii) participate in setting up its internal control policies and procedures; (iii) assist in formulating its management system; and (iv) involve in planning its financial budget, profit distribution plan and contingency plan.

Since the establishment of Guangdong Zhenyuan, Mr. Ou has been assisted in the evaluation of potential investment products and formulation of investment plan. Shenzhen Huaxin also nominated Ms. Chai Bing ("**Ms. Chai**") as the director of Guangdong Zhenyuan. Ms. Chai is a key member of Mr. Ou's investment team, and is responsible for financial analysis and investment project management with over ten years of relevant experience. She obtained the qualification of intermediate accountant issued by the Ministry of Finance of the PRC. She is currently providing potential investment analysis and investment proposals, formulating investment plan and assisting in project due diligence in Guangdong Zhenyuan. With the assistance provided by Mr. Ou and Ms. Chai, Guangdong Zhenyuan has invested in over 10 equity securities, debt instruments and exchange traded funds which are listed in the PRC with a carrying amount of approximately RMB26.0 million as at 31 December 2022. Guangdong Zhenyuan recorded an investment income of approximately RMB1.1 million during FY2022.

As at the Latest Practicable Date, Guangdong Zhenyuan has identified three potential investment projects which are mainly engaged in diagnostic services, biotechnology products and medical testing instruments. Such three potential projects are under preliminary negotiation. Guangdong Zhenyuan currently has not entered into any contracts, arrangements, understandings and/or commitments in relation to these potential investment projects.

By leveraging Shenzhen Huaxin's resources and experience of Mr. Ou and Ms. Chai, the Directors consider that it is beneficial for the Company to maintain the existing partnership with Shenzhen Huaxin with a view to enrich the investment portfolio of Guangdong Zhenyuan and improve the financial performance of Guangdong Zhenyuan.

As such, the Directors are of view that the Acquisitions allow the Group to capture the opportunities arising from the rapid growth in the biotechnical industry and potentially cultivate them into stable revenue generating businesses. We concur with the Directors that the Acquisitions allow the Group to increase the attributable interest of Zhongke Zhenhui and Guangdong Zhenyuan and benefit the Group when potential growth realises.

5. Principal terms of the SPA I

Date: 26 April 2023 (after trading hours)

Parties:

1. Nanyue CB (as vendor); and

2. Zhongke Xunda and the Company (as purchasers)

Subject Matter:

The Company and Zhongke Xunda have conditionally agreed to purchase, and Nanyue CB has conditionally agreed to sell, RMB16,200,000 paid-up capital of Zhongke Zhenhui contributed by Nanyue CB, which is equivalent to 20.25% equity interest in Zhongke Zhenhui.

Consideration:

The consideration of RMB15,930,000 (equivalent to HK$18,160,000) shall be satisfied by way of issue of the Convertible Bonds to Nanyue CB or its nominee under the Specific Mandate I within seven days following completion of the SPA I.

The consideration was determined after arm's length negotiation between the parties with reference to, among other things, (i) the registered capital of Zhongke Zhenhui of RMB80,000,000; (ii) the acquisition of RMB16,200,000 paid-up capital of Zhongke Zhenhui contributed by Nanyue CB; (iii) the financial performance and position of Zhongke Zhenhui as at 31 December 2022; and (iv) the reasons for and benefits of the Acquisitions as stated under the section headed "Reasons for and benefits of the Acquisitions" in the Letter from the Board.

For further details of the SPA I, please refer to the Letter from the Board.

5.1 Evaluation on the basis of the consideration of the SPA I

As mentioned in the above section, the consideration was determined after arm's length negotiation between the parties with reference to, among others, the amount of paid capital contribution by Nanyue CB of RMB16,200,000 in Zhongke Zhenhui and financial performance and position of Zhongke Zhenhui as at 31 December 2022.

We have attempted to assess the fairness and reasonableness of the Consideration from the perspective of the price to earnings ratio ("**P/E Ratio**") and price to book ratio ("**P/B Ratio**"). However, due to the fact that Zhongke Zhenhui recorded loss after tax of approximately RMB877,000 for FY2022, P/E Ratio is not applicable for our analysis.

Although Zhongke Zhenhui recorded net assets of approximately RMB15,059,000 as at 31 December 2022, Zhongke Zhenhui only commenced its investment in Guangdong Zhenyuan in 2021 and is simply acting as an investment holding company with no other material investments. P/B Ratio is common for asset intensive enterprise which is not applicable for Zhongke Zhenhui. We consider that P/B Ratio is also not an appropriate benchmark for our analysis.

We have checked to the payment receipt in relation to the capital contribution by Nanyue CB in Zhongke Zhenhui and noted that Nanyue CB has contributed RMB4,800,000 and RMB11,400,000 during FY2021 and FY2022, respectively. We have also checked to the accountants' report of Zhongke Zhenhui as stated in the Appendix IIA of the Circular and noted that the accumulated losses was approximately RMB2,031,000 (i.e. the share of loss attributable to the 20.25% sale interest was approximately RMB411,000).

Given that the P/E Ratio and P/B Ratio comparable approaches are not considered appropriate, we try to assess the fairness and reasonableness of the consideration of the SPA I by evaluating the latest net asset value ("**NAV**") of Zhongke Zhenhui. We noted that the major assets of Zhongke Zhenhui is the investment in Guangdong Zhenyuan with a portfolio of Investment Assets (as defined below). The following calculation shows a reconciliation of the latest NAV of Zhongke Zhenhui after considering the market value of the Investment Assets held by Guangdong Zhenyuan:

	RMB'000
Audited NAV of Zhongke Zhenhui as at 31 December 2022 *(Note 1)*	15,059
Add: Share of retained profit of Guangdong Zhenyuan as at 31 December 2022 (i.e. RMB535,000 x 57.14%) *(Note 2)*	306
Add: Share of fair value gain on Investment Assets as at Last Trading Day (i.e. (RMB27,771,000 – RMB26,001,000) x 57.14%) *(Note 3)*	1,011
Add: the unpaid registered capital of Zhongke Zhenhui as at 31 December 2022 (i.e. (registered capital of RMB80,000,000 – paid-in capital as at 31 December 2022 of RMB17,090,000 *(Note 1)*))	62,910
	79,286
NAV attributable to 20.25% equity interest (A)	16,055
Consideration of the SPA I (B)	15,930
Difference (A – B)	125
The discount based on the difference between the consideration of the SPA I and the reconciled NAV of Zhongke Zhenhui attributable to 20.25% equity interest	0.8%

Notes:

1. Extracted from the accountants' report of Zhongke Zhenhui as shown in the Appendix IIA of the Circular.

2. Extracted from the accountants' report of Guangdong Zhenyuan as shown in the Appendix IIB of the Circular.

3. Please refer to the section headed "6.1 Evaluation on the basis of the consideration of the SPA II" for details.

The consideration of the SPA I represented a discount of 0.8% (i.e. RMB125,000) to the above reconciled NAV of Zhongke Zhenhui, we thus considered that the consideration of the SPA I is justifiable.

5.2 Evaluation of the terms of the Convertible Bonds and the Conversion Price

Issuer:

The Company

Principal amount:

HK$18,160,000

Maturity date:

The sixth anniversary of the date of issue of the Convertible Bonds (the "**Maturity Date**").

Interest:

1% per annum on the outstanding principal amount of the Convertible Bonds, payable in arrears on the Maturity Date.

Conversion Price:

HK$0.126 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds which represents:

(i) a premium of approximately 5.00% over the closing price of HK$0.120 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 4.13% over the average closing price of HK$0.121 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 5.26% to the average closing price of HK$0.133 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 10.0% to the closing price of HK$0.140 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 27.5% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK$0.174 (based on the audited consolidated statement of the financial position of the Company as at 31 December 2022 and the number of Shares in issue as at the Latest Practicable Date).

Conversion Shares:

Assuming the Conversion Rights are exercised in full at the initial Conversion Price, 144,126,984 Conversion Shares will be issued.

For details of the terms of the Convertible Bonds, please refer to the Letter from the Board.

5.2.1 Comparable analysis

In order to assess the fairness and reasonableness of the major terms of the Convertible Bonds under the recent market conditions, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which (i) have announced issue/placing of convertible bonds/notes under specific mandate; (ii) the relevant announcement was made during the 12 months period between 1 May 2022 and Last Trading Day; and (iii) the trading of the shares of the company has not be suspended more than one month prior to the relevant announcement.

Based on the above criteria, we have, to the best of our effort by searching through published information on the Stock Exchange's website, identified an exhaustive list of 14 transactions. Among the 14 transactions, we noted that one of the transactions, namely China Baoli Technologies Holdings Limited (stock code:164) had its conversion price extremely higher than the closing price on the date of the respective agreement, the average 5 days closing price and the average 10 days closing price (i.e. a premium of 181.25%, 181.26% and 186.62%, respectively), thus this transaction is considered as an outliner and is excluded from our analysis (the "**CB Comparable Transactions**"). We consider that these CB Comparable Transactions allow the Shareholders to have a general understanding on the convertible bond transactions being conducted by the listed issuers in the Hong Kong stock market. Although the business, operation and prospect of the Company are not same as the listed issuers of the CB Comparable Transactions, we consider that these CB Comparable Transactions are suitable reference for assessing the fairness and reasonableness of the key terms of the Convertible Bonds. The following table sets forth the relevant details of the CB Comparable Transactions.

Date of first announcement	Stock code	Company name	Premium/(discount) of conversion price over/to the closing price prior to/on the date of the respective announcement/ agreement (the "LTD Price") *(%)*	Premium/(discount) of conversion price over/to the average closing price of five trading days prior to/ on the date of the respective announcement/ agreement (the "5-days Average") *(%)*	Premium/(discount) of conversion price over/to the average closing price of ten trading days prior to/ on the date of the respective announcement/ agreement (the "10-days Average") *(%)*	Coupon interest rate per annum *(%)*	Maturity *(year)*
2022:							
15 May	1673	Huazhang Technology Holding Limited	–	(2.80)	(3.17)	12.0	4
24 May	8275	China New Consumption Group Limited (formerly known as State Innovation Holdings Limited)	33.33	30.29	38.65	2.5	2
5 September	115	Grand Field Group Holdings Limited	15.20	15.20	15.20	6.0	1.5
13 September	619	South China Financial Holdings Limited	–	0.63	(1.84)	1.0	3
30 September	8270	China CBM Group Company Limited	0.48	–	–	–	2
14 October	209	Winshine Science Company Limited	13.64	11.61	9.17	16.0	2
16 November	138	CCT Fortis Holdings Limited	10.35	5.82	(0.31)	4.5	3
14 December	616	Eminence Enterprise Limited	43.24	45.21	47.02	5	5
22 December	660	Wai Chun Bio-Technology Limited	25.00	32.00	38.25	–	3

			Premium/(discount) of conversion price over/to				
Date of first announcement	**Stock code**	**Company name**	**the closing price prior to/on the date of the respective announcement/ agreement (the "LTD Price")**	**the average closing price of five trading days prior to/ on the date of the respective announcement/ agreement (the "5-days Average")**	**the average closing price of ten trading days prior to/ on the date of the respective announcement/ agreement (the "10-days Average")**	**Coupon interest rate per annum**	**Maturity**
			(%)	*(%)*	*(%)*	*(%)*	*(year)*
2023:							
10 March	381	Kiu Hung International Holdings Limited	17.31	14.66	13.81	–	3
29 March	636	Kerry Logistics Network Limited	44.17	46.55	44.66	3.3	Perpetual
3 April	362	China Zenith Chemical Group Limited	(10.30)	(8.30)	(7.49)	3.0	2
6 April	3889	Global Sweeteners Holdings Limited	16.30	20.20	21.70	5.0	3
		Maximum	44.17	46.55	47.02	16.0	5 *(Note)*
		Minimum	(10.30)	(8.30)	(7.49)	–	1.5
		Median	15.20	14.66	13.81	3.9	3
		Average	16.06	16.24	16.58	4.9	2.8
		Company's Convertible Bonds	5.00	4.13	(5.26)	1.00	6

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: The perpetual convertible bond issued by Kerry Logistics Network Limited is excluded.

(i) Conversion price

The conversion price of the CB Comparable Transactions, as compared to the LTD Price, ranged from a discount of approximately 10.30% to a premium of approximately 44.17% with an average premium of 16.06% and a median premium of 15.20%. The Conversion Price of HK$0.126 per Conversion Share represented a premium of approximately 5.00% over the LTD Price and such premium falls within the range of the premium/discount of the LTD Price of the CB Comparable Transactions but is lower than the average premium and median premium of the LTD Price of the CB Comparable Transactions.

The conversion price of the CB Comparable Transactions, as compared to the 5-days Average, ranged from a discount of approximately 8.30% to a premium of approximately 46.55% with an average premium of 16.24% and a median premium of 14.66%. The Conversion Price of HK$0.126 per Conversion Share represented a premium of approximately 4.13% over the 5-days Average and such premium falls within the range of the premium/discount of the 5-days Average of the CB Comparable Transactions but is lower than the average premium and median premium of the 5-day Average of the CB Comparable Transactions.

The conversion price of the CB Comparable Transactions, as compared to the 10-days Average, ranged from a discount of approximately 7.49% to a premium of approximately 47.02% with an average premium of 16.58% and a median premium of 13.81%. The Conversion Price of HK$0.126 per Conversion Share represented a discount of approximately 5.26% to the 10-days Average and such premium falls within the range of the premium/discount of the 10-days Average of the CB Comparable Transactions but is lower than the average premium and median premium of the 10-day Average of the CB Comparable Transactions.

As discussed in the section headed "6.2.1 Review on the historical Share price performance"; the Shares were mostly traded below the NAV per Share during the Review Period (as defined below), we consider that the determination of Conversion Price with reference to historical Share price is more relevant as compared to the NAV per Share.

(ii) Coupon interest rate

The coupon interest rates of the CB Comparable Transactions ranged from nil to 16.00%. The Convertible Bonds carries coupon interest rate of 1% per annum which falls within the range of the CB Comparable Transactions and is much lower than the average and median of the CB Comparable Transactions. The low coupon interests of the Convertible Bonds therefore create less interest burden to the Group as compared to the CB Comparable Transactions.

(iii) Maturity

The maturity of the CB Comparable Transactions ranges from 1.5 years to 5 years (excluding the perpetual convertible bond issued by Kerry Logistics Network Limited). The Convertible Bonds have 6 years of maturity and is longer than all the CB Comparable Transactions (excluding the perpetual convertible bond issued by Kerry Logistics Network Limited). Such longer maturity of the Convertible Bonds avails the Company with more time to generate or secure sufficient funding to make full/partial redemption of the Convertible Bonds at any time prior to the Maturity Date.

Despite the premium/(discount) of Conversion Price over/(to) the LTD Price, the 5-days Average, the 10-days Average are lower than that of the average premium of the CB Comparable Transactions, we considered the following factors,

(i) the Conversion Price is within the range of the premium/discount represented by the conversion prices of the CB Comparable Transactions;

(ii) the interest rate of the Convertible Bonds is much lower than that of the CB Comparable Transactions (excluding three zero-coupon CB Comparable Transactions);

(iii) the Group is able to obtain funding as a relatively low cost as compared to the borrowing rate of the Group ranged from 1.37% to 2.41% as disclosed in the 2022 Annual Report and the People's Bank of China's benchmark interest rate of loan over 5 years of 4.9%; and

(iv) the 6 years' maturity of the Convertible Bonds provides a longer period for the Group to realise its development plan and accumulate sufficient internal resources for the full/partial redemption of Convertible Bonds;

we are of the view that the terms of the Convertible Bonds (including the Conversion Price) are acceptable as far as the Independent Shareholders are concerned.

6. Principal terms of the SPA II

Date: 26 April 2023 (after trading hours)

Parties:

1. Shenzhen Huaxin (as vendor); and

2. Zhongke Xunda and the Company (as purchasers)

Subject Matter:

The Company and Zhongke Xunda have conditionally agreed to purchase, and Shenzhen Huaxin has conditionally agreed to sell, RMB15,000,000 paid-up capital of Guangdong Zhenyuan contributed by Shenzhen Huaxin, which is equivalent to 21.43% equity interest in Guangdong Zhenyuan.

Consideration:

The consideration of RMB15,000,000 (equivalent to HK$17,100,000) shall be satisfied by way of issue of the Consideration Shares to Shenzhen Huaxin or its nominee(s) under the Specific Mandate II within 14 days following completion of the SPA II.

The consideration was determined after arm's length negotiation between the parties with reference to (i) the registered capital of Guangdong Zhenyuan of RMB70,000,000 and the acquisition of capital contribution by Shenzhen Huaxin of RMB15,000,000 in Guangdong Zhenyuan; (ii) the financial performance and position of Guangdong Zhenyuan as at 31 December 2022; and (iii) the reasons for and benefits of the Acquisitions as stated under the section headed "Reasons for and benefits of the Acquisitions" in the Letter from the Board.

For details of the terms of the SPA II, please refer to the Letter from the Board.

6.1 Evaluation on the basis of the consideration of the SPA II

Pursuant to the SPA II, the consideration was determined after arm's length negotiation between the parties with reference to, among others, paid up capital contribution by Shenzhen Huaxin of RMB15,000,000 in Guangdong Zhenyuan and the financial performance and position of Guangdong Zhenyuan as at 31 December 2022.

We have attempted to assess the fairness and reasonableness of the consideration of the SPA II from the perspective of the P/E Ratio and P/B Ratio. However, due to the fact that Guangdong Zhenyuan is newly established with short operation period, the business model has not yet well established, we consider that P/E ratio is not an appropriate benchmark for our analysis.

Although Guangdong Zhenyuan recorded net assets of approximately RMB30,535,000 as at 31 December 2022, Guangdong Zhenyuan only engaged in trading a small investment portfolio with no other material investments. P/B ratio is common for asset intensive enterprise which is not the case of Guangdong Zhenyuan. We consider that P/B ratio is not an appropriate benchmark for our analysis.

We have checked to the payment receipt in relation to the capital contribution by Shenzhen Huaxin in Guangdong Zhenyuan and noted that Shenzhen Huaxin has contributed RMB15,000,000 during FY2022. We have also checked to the accountants' report of Guangdong Zhenyuan as stated in the Appendix IIB of the Circular and noted that the accumulated profit was approximately RMB535,000 (i.e. the share of profit attributable to the 21.43% sale interest was approximately RMB115,000). After considered the accumulated profit attributable to the 21.43% equity interest of Guangdong Zhenyuan, the corresponding value was approximately RMB15,115,000, which is higher than the consideration of SPA II.

Taking into account the major assets of Guangdong Zhenyuan is the investment in the equity securities, debt instruments and exchange traded funds which are listed in the PRC (the "**Investment Assets**"), we incorporate the market value of the Investment Assets as at the Last Trading Day to reconcile the latest NAV of Guangdong Zhenyuan as below:

	RMB'000
Audited NAV of Guangdong Zhenyuan as at 31 December 2022 *(Note 1)*	30,535
Less: the carry amount of the Investment Assets held by Guangdong Zhenyuan as at 31 December 2022	(26,001)
Add: the market value of the Investment Assets held by Guangdong Zhenyuan as at Last Trading Day *(Note 2)*	27,771
Add: the unpaid registered capital of Guangdong Zhenyuan as at 31 December 2022	40,000
	72,305
NAV attributable to 21.43% equity interest (A)	15,495
The consideration of the SPA II (B)	15,000
Difference (A – B)	495
The discount based on the difference between the consideration of the SPA II and the reconciled NAV of Guangdong Zhenyuan attributable to 21.43% equity interest	3.2%

Notes:

1 Extracted from the accountants' report of Guangdong Zhenyuan as shown in the Appendix IIB of the Circular.

2 Calculated with reference to their closing price as at Last Trading Day.

The consideration of the SPA II represented a discount of 3.2% (i.e. RMB495,000) to the above reconciled NAV of Guangdong Zhenyuan, we thus considered that the consideration of the SPA II is justifiable.

6.2 Evaluation on the Issue Price

Pursuant to the SPA II, a total of 142,500,000 Consideration Shares at the Issue Price of HK$0.12 per Consideration Share will be allotted and issued to Shenzhen Huaxin upon Completion.

The Issue Price of HK$0.12 per Share represents:

(i) equivalent to the closing price of HK$0.120 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 0.83% to the average closing price of HK$0.121 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 9.77% over the average closing price of HK$0.133 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 14.29% to the closing price of HK$0.140 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

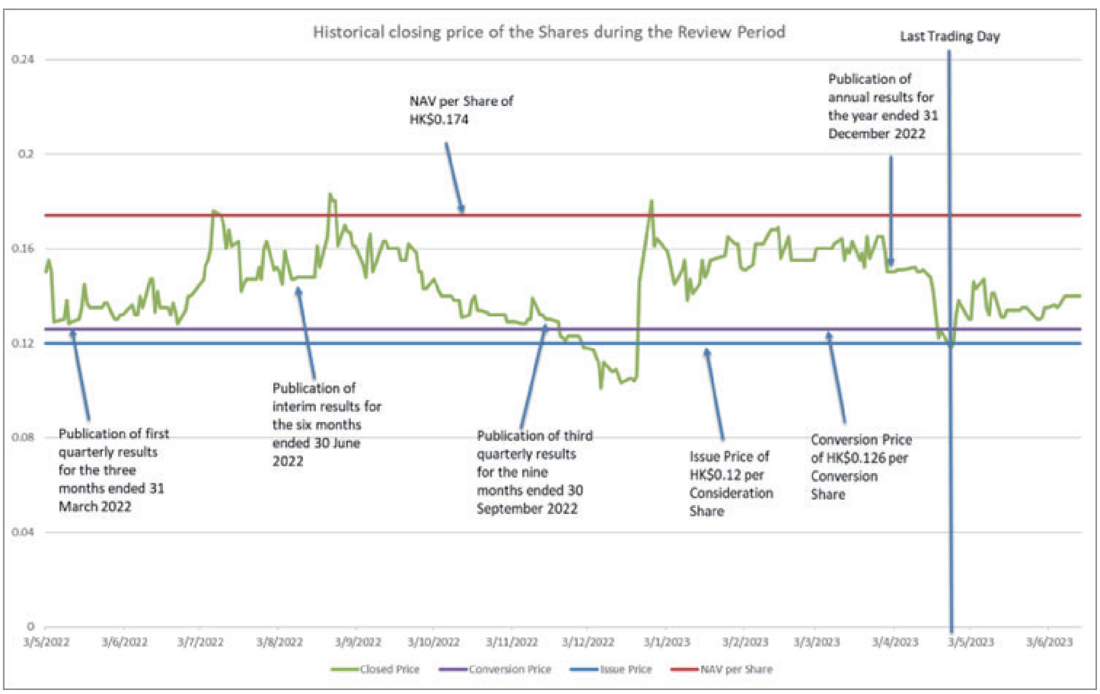
(v) a discount of approximately 31.0% to the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK$0.174 (based on the audited consolidated statement of the financial position of the Company as at 31 December 2022 and the number of Shares in issue as at the Latest Practicable Date).

The Issue Price was determined after arm's length negotiations between the Company, Zhongke Xunda and Shenzhen Huaxin with reference to the recent trading prices of the Shares.

In order to assess the fairness and reasonableness of the Issue Price, we have compared the Issue Price with reference to (a) the historical Share price performance; (b) the historical trading volume and liquidity of the Shares; and (c) the market comparable in respect of recent issuance of consideration shares, as set out below.

6.2.1 Review on the historical Share price performance

The chart below illustrates the movement of the closing prices of the Shares during the period from 1 May 2022 to the Last Trading Day, being the 12 months prior to and including the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period is adequate to illustrate the Share price performance for conducting a reasonable comparison between the closing price of the Shares and the Issue Price.



Source: the website of the Stock Exchange (www.hkex.com.hk)

As demonstrated in the above chart, the Issue Price of HK$0.12 represents (i) a premium of 18.8% over the lowest closing price (i.e. HK$0.101) during the Review Period; (ii) a discount of approximately 34.4% to the highest closing price (i.e. HK$0.183) during the Review Period; and (iii) a discount of approximately 16.7% to the average closing price (i.e. HK$0.144) during the Review Period.

After the Company published its first quarterly results for the three months ended 31 March 2022, the closing price traded within the range from HK$0.128 to HK$0.147. From the end of June 2022, the closing price was on an increasing trend and reached HK$0.176 on 8 July 2022. After the Company published the interim results for the six months ended 30 June 2022, the closing price further increased and reached the highest point during the Review Period at HK$0.183 on 23 August 2022. Since then, the closing was on a decreasing trend and dropped to the lowest point at HK$0.101 on 8 December 2022. The closing price increased rapidly from HK$0.104 on 21 December 2022 to HK$0.180 on 28 December 2022. As advised by the management of the Company, they are not aware of any reasons for the significant increase in the price of the Shares during that period. Prior to the publication of annual result for FY2022, the closing price fluctuated at a range of HK$0.138 to HK$0.169. After the publication of annual result for FY2022, the closing price remained steady at around HK$0.15 until 14 April 2022 and started the decreasing trend. The closing price as at the Last Trading Day was HK$0.12.

According to the 2022 Annual Report, the equity attributable to owners of the Company as at 31 December 2022 was approximately RMB113.2 million (equivalent to approximately HK$129.1 million), the issued Shares at as Latest Practicable Date was 742,500,000, thus, the NAV per Share was approximately HK$0.174. The Shares was traded below the NAV per Share in most of the trading days during the Review Period (i.e., 272 days out of 278 days). The highest closing price (i.e. HK$0.183) during the Review Period represents a premium of approximately 5.2% to the NAV per Share, the lowest closing price (i.e. HK$0.101) during the Review Period represents a discount of approximately 42.0% to the NAV per Share and the average closing price (i.e. HK$0.144) during the Review period represents a discount of approximately 17.2% to the NAV per Share. The Issue Price of HK$0.12 represents a discount of approximately 31.0% to the NAV per Share and is within the range of the discount of the NAV per Share during the Review Period.

As mentioned above, the closing price of the Shares during the Review Period were generally traded below the NAV per Share, the Directors considered that it is not commercially sound to make reference to the NAV per Share when determining the Issue Price and instead the market condition was the key factor considered, such as prevailing market price, trading performance of the Shares and market sentiment of the Group’s business. We consider that the determination of Issue Price with reference to historical Share price is more relevant as compared to the NAV per Share.

6.2.2 Review on the trading volume and liquidity of the Shares

Set out below are details of monthly trading volumes and the percentage of the Shares' average daily trading volume relative to the total number of issued Shares held by public shareholders as at the end of the month during the Review Period:

Month	Total volume of Shares traded *(Shares)*	Number of trading days *(days)*	Average daily volume *(Shares)*	Number of issued Shares held by public as at the end of the month *(Shares)*	% of average daily trading volume to the then total number of issued Shares held by public as at the end of the month *(%)*
2022					
May	10,464,000	20	523,200	522,025,000	0.10
June	5,148,000	21	245,143	522,025,000	0.05
July	12,584,000	20	629,200	522,025,000	0.12
August	4,788,000	23	208,174	522,025,000	0.04
September	5,816,000	21	276,952	522,025,000	0.05
October	1,160,000	20	58,000	522,025,000	0.01
November	1,492,000	22	67,818	522,025,000	0.01
December	10,560,000	20	528,000	522,025,000	0.10
2023					
January	10,236,000	18	568,667	522,025,000	0.11
February	4,872,000	20	243,600	522,025,000	0.05
March	5,220,000	23	226,957	522,025,000	0.04
April (from 1 April 2023 to the Last Trading Day)	10,252,000	15	683,467	522,025,000	0.13
April (the day after the Last Trading Day to 30 April 2023)	152,000	2	76,000	522,025,000	0.01
May	1,008,000	21	48,000	522,025,000	0.01
June (1 June 2023 to the Latest Practicable Date)	548,000	12	45,666	522,025,000	0.01

Source: the website of the Stock Exchange (www.hkex.com.hk)

Based on the above table, the average daily trading volume of the Shares during the Review Period ranged from the lowest of 45,666 Shares to the highest of 683,467 Shares. The average daily trading volume to the total number of issued Shares held by the public ranged from approximately 0.01% and 0.13%. We also noted that 71 days out of total 278 trading days during the Review Period had no trading volume.

The trading of Shares did not appear to be active during the Review Period. Given the low liquidity of the Shares during the Review Period, we consider that it may be difficult for the Group to obtain favorable terms on other ways of equity financing such as placement of new Shares for the Acquisitions.

6.2.3 Comparison with recent transactions

In order to assess the fairness and reasonableness of the Issue Price, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which (i) the relevant announcement was made during the 12 months period between 1 May 2022 and Last Trading Day; and (ii) the relevant transactions involving issue of consideration shares under specific mandate. Based on the above criteria, we have, to the best of our effort by searching through published information on the Stock Exchange's website, identified an exhaustive list of 12 transactions (the "**CS Comparable Transactions**"). We consider that these CS Comparable Transactions are able to (i) reflect the prevailing market conditions and sentiment in the Hong Kong stock market during the recent months; and (ii) allow the Shareholders to have a general understanding on the recent transactions involving issue of consideration shares being conducted by the listed issuers in the Hong Kong stock market. Although the business, operation, prospect of the Company and the background of the Acquisitions are not same as the listed issuers of the CS Comparable Transactions, we consider that these CS Comparable Transactions provide a general reference such similar type of transactions in Hong Kong and they are suitable reference for assessing the fairness and reasonableness of the Issue Price. The following table sets forth the relevant details of the CS Comparable Transactions.

Date of first announcement	Stock code	Company name	Premium/(discount) of issue price over/to the LTD Price (%)	the 5-days Average (%)	the 10 days Average (%)
2022:					
30 May	6128	Graphex Group Limited	(0.90)	(4.01)	(5.42)
8 June	8480	Furniweb Holdings Limited	73.27 (outliner)	74.30 (outliner)	74.65 (outliner)
3 July	2380	China Power International Development Limited	(11.65)	(8.49)	(7.56)
11 August	2882	Hong Kong Resources Holdings Company Limited	5.09	–	0.17
27 September	8613	Oriental Payment Group Holdings Limited	(18.18)	(18.18)	(20.91)
30 September	8270	China CBM Group Company Limited	0.48	–	–
18 November	1592	Anchorstone Holdings Limited	(1.5)	(5.0)	(7.8)
21 November	2107	First Service Holding Limited	7.94	3.98	2.56
25 November	821	Value Convergence Holdings Limited	(0.43)	(0.18)	–
19 December	510	CASH Financial Services Group Limited	(7.61)	(7.61)	(5.13)
2023:					
11 January	860	Apollo Future Mobility Group Limited	115.69 (outliner)	126.90 (outliner)	128.79 (outliner)
10 March	381	Kiu Hung International Holdings Limited	17.31	14.66	13.81
		Maximum	115.69	126.90	128.79
		Minimum	(18.18)	(18.18)	(20.91)
		Median	0.03	(0.09)	–
		Average	14.96	14.70	14.43
		Excluding the two outliners			
		Maximum	17.31	14.66	13.81
		Minimum	(18.18)	(18.18)	(20.91)
		Median	(0.67)	(2.10)	(2.57)
		Average	(0.94)	(2.48)	(3.03)
		Company's Issue Price	–	(0.83)	(9.77)

Source: the website of the Stock Exchange (www.hkex.com.hk)

The issue prices of the CS Comparable Transactions, as compared to the LTD Price, ranged from a discount of approximately 18.18% to a premium of approximately 115.69% with an average premium of 14.96% and a median premium of 0.03%. The Issue Price of HK$0.12 per Consideration Share equivalent to the LTD Price falls within the range of the premium/discount of the LTD Price of the CS Comparable Transactions but is lower than the average premium and median premium of the LTD Price of the CS Comparable Transactions.

The issue prices of the CS Comparable Transactions, as compared to the 5-days Average, ranged from a discount of approximately 18.18% to a premium of approximately 126.90% with an average premium of 14.70% and a median discount of 0.09%. The Issue Price of HK$0.12 per Consideration Share represents a discount of approximately 0.83% to the 5-days Average which (i) falls within the range of the premium/discount of the 5-days Average of the CS Comparable Transactions (ii) is lower than the average premium of the CS Comparable Transactions; and (iii) is higher than the median discount of the CS Comparable Transactions.

The issue prices of the CS Comparable Transactions, as compared to the 10-days Average, ranged from a discount of approximately 20.91% to a premium of approximately 128.79% with an average premium of 14.43% and median of 0%. The Issue Price of HK$0.12 per Consideration Share represents a discount of approximately 9.77% to the 10-days Average which (i) falls within the range of the premium/discount of the 10-days Average of the CS Comparable Transactions; (ii) is lower than the average premium of the CS Comparable Transactions; and (iii) is lower than the median value of the CS Comparable Transactions.

Given the premium under the issuance of consideration shares by Furniweb Holdings Limited and Apollo Future Mobility Group Limited are substantially higher than the other CS Comparable Transactions, we considered Furniweb Holdings Limited and Apollo Future Mobility Group Limited to be outliners. After excluding the outliners from the CS Comparable Transactions (the "**Revised CS Comparable Transactions**"), the issue price of the Revised CS Comparable Transactions, as compared to the LTD Price, ranged from a discount of approximately 18.18% to a premium of approximately 17.31% with an average discount of 0.94% and a median discount of 0.67%. The Issue Price of HK$0.12 per Consideration Share equivalent to the closing price on the Last Trading Day falls within the range of the premium/ discount of the LTD Price of the Revised CS Comparable Transactions and is lower than the average discount and median discount of the LTD Price of the CS Comparable Transactions.

The issue prices of the Revised CS Comparable Transactions, as compared to the 5-days Average, ranged from a discount of approximately 18.18% to a premium of approximately 14.66% with an average discount of 2.48% and a median discount of 2.10%. The Issue Price of HK$0.12 per Consideration Share represents a discount of approximately 0.83% to the 5-days Average which falls within the range of the premium/discount of the 5-days Average of the Revised CS Comparable Transactions and is lower than the average discount and median discount of the 5-days Average of the Revised CS Comparable Transactions.

The issue prices of the Revised CS Comparable Transactions, as compared to the 10-days Average, ranged from a discount of approximately 20.91% to a premium of approximately 13.81% with an average discount of 3.03% and a median discount of 2.57%. The Issue Price of HK$0.12 per Consideration Share represents a discount of approximately 9.77% over the 10-days average which falls within the range of the premium/discount of the 10-days Average of the Revised CS Comparable Transactions but is higher than the average discount and median discount of the 10-days Average of the Revised CS Comparable Transactions.

Despite the Issue Price represented a discount to the average closing price during most of the Review Period and the discount of the Issue Price to the 10-days Average is higher than the median discount and average discount of the 10-days Average of the Revised CS Comparable Transactions, we considered the following factors,

(i) the Issue Price fall within the range of closing price during the Review Period;

(ii) during the Review Period, 71 days out of total 278 trading days had no trading volume and the trading volume was generally very low, indicating that the trading of Shares are inactive throughout most of the Review Period;

(iii) the discount of Issue Price to the relevant benchmark date falls within the range of the Revised CS Comparable Transactions;

(iv) the discount of Issue Price to (a) the LTD Price; and (b) the 5-days Average are lower than the respective average discount and median discount of the Revised CS Comparable Transactions; and

(v) the introduction of Shenzhen Huaxin as a strategic shareholder of the Company enables the Company to leverage the resources of Shenzhen Huaxin and the experience of Mr. Ou and Ms. Chai to enrich the investment portfolio of Guangdong Zhenyuan and improve the financial performance of Guangdong Zhenyuan;

we are of the view that the Issue Price is acceptable.

7. Possible dilution effect

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the allotment and issue of the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Conversion Shares); (iii) immediately upon the allotment and issue of the Consideration Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares); and (iv) immediately upon the allotment and issue of the Consideration Shares and the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares and the Conversion Shares):

	As at the Latest Practicable Date		Immediately upon the allotment and issue of the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Conversion Shares)		Immediately upon the allotment and issue of the Consideration Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares)		Immediately upon the allotment and issue of the Consideration Shares and the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares and the Conversion Shares)	
	Number of Shares held	*Approximate % (Note 3)*	*Number of Shares held*	*Approximate % (Note 3)*	*Number of Shares held*	*Approximate % (Note 3)*	*Number of Shares held*	*Approximate % (Note 3)*
Hong Kong Gaoqi Biological Technology Company Limited ("**HK Gaoqi**") *(Note 1)*	220,475,000	29.69	220,475,000	24.87	220,475,000	24.91	220,475,000	21.42
Nanyue CB *(Note 2)*	–	–	144,126,984	16.25	–	–	144,126,984	14.00
Subtotal	220,475,000	29.69	364,601,984	41.12	220,475,000	24.91	364,601,984	35.42
Shenzhen Huaxin	–	–	–	–	142,500,000	16.10	142,500,000	13.85
Public Shareholders	522,025,000	70.31	522,025,000	58.88	522,025,000	58.99	522,025,000	50.73
Total	742,500,000	100.00	886,626,984	100.00	885,000,000	100.00	1,029,126,984	100.00

Notes:

1. Mr. Xu is the director of HK Gaoqi, which holds 29.69% Shares, and the director of Houp Bio-Technology Limited ("**HBT Limited**"), which holds 9.78% of equity interests in HK Gaoqi. Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interests and 9.78% through HBT Limited. HBT Limited, a company incorporated in the British Virgin Islands, has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders' meeting respectively, and Mr. Xu holds 94.07% class A interests in HBT Limited and Ms. Qiu Qi, the spouse of Mr. Xu, holds 5.93% class A interests and 10.74% class B interests in HBT Limited. By virtue of the SFO, Mr. Xu is taken to be interested in all the shares held by Ms. Qiu Qi, so Mr. Xu collectively holds 86.78% of the total voting rights of the HBT Limited, and in turn is interested in 9.78% of HK Gaoqi.

2. This is for illustration purpose only. According to the Convertible Bonds, a bondholder shall not exercise any Conversion Rights, and the Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights, (i) the bondholder and/or parties acting in concert with it would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for the Shares held by the Company's other Shareholders; or (ii) the Company may fail to comply with the minimum public shareholding requirement stipulated under Rule 11.23(7) of the GEM Listing Rules.

3. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

As shown in the shareholding table above, assuming that there will be no other change in the share capital of the Company other than the issue of the Conversion Shares, the shareholding of existing public Shareholders in the Company will be reduced from approximately 70.31% as at the Latest Practicable Date to approximately 58.88% immediately upon the allotment and issue of the Conversion Shares. The dilution effect on the public shareholding of the Company is approximately 11.43%.

Assuming that there will be no other change in the share capital of the Company other than the issue of the Consideration Shares, the shareholding of existing public Shareholders in the Company will be reduced from approximately 70.31% as at the Latest Practicable Date to approximately 58.99% immediately upon the allotment and issue of the Consideration Shares. The dilution effect on the public shareholding of the Company is approximately 11.32%.

Assuming that there will be no other change in the share capital of the Company other than the issue of the Consideration Shares and the Conversion Shares, the shareholding of existing public Shareholders in the Company will be reduced from approximately 70.31% as at the Latest Practicable Date to approximately 50.73% immediately upon the allotment and issue of the Consideration Shares and the Conversion Shares. The dilution effect on the shareholding of the Company is approximately 19.58%.

Although there will be dilutive effect to the shareholding interests of the public Shareholders as a result of the Acquisitions, having considered (i) the reasons for and benefits of the Acquisitions as discussed above; (ii) the terms of the Convertible Bonds are on normal commercial terms and are acceptable; (iii) the Issue Price is acceptable; and (iv) the issue of Consideration Shares and Convertible Bonds allows the Group to preserve the existing cash level for financing the Group's other projects and general working capital purpose, we are of the view that the level of dilution is acceptable.

8. Financial effect of the Acquisitions

The following are based on the unaudited pro forma financial information of the Post-Acquisition Group as disclosed in Appendix III of the Circular. It should be noted that the analyses are for illustrative purpose only and do not purport to represent how the financial results and the financial position of the Group will be upon the completion of the SPA I and the SPA II (the "**Completion**").

Upon Completion, the effective interest of the Company in (i) Zhongke Zhenhui will be increased from 51% to 71.25%; and (ii) Guangdong Zhenyuan will be increased from approximately 29.14% to approximately 62.14%. Zhongke Zhenhui and Guangdong Zhenyuan will remain as subsidiaries of the Company, while their financial result will continue to be consolidated into the Group's financial statements.

Net asset value

According to the unaudited pro forma financial information of the Post-acquisition Group, upon Completion and issuance of the Convertible Bonds and the Consideration Shares, the Company's net asset value would be decreased by approximately RMB21.7 million as a result of the recognition of the liability component of the Convertible Bonds of approximately RMB21.1 million and the payment of the transaction cost of approximately RMB0.7 million.

Earnings

Upon Completion, the financial result of Zhongke Zhenhui and Guangdong Zhenyuan will continue to be consolidated in the consolidated financial statements of the Company while a lower portion of net profit/loss will be allocated to the non-controlling interests.

Further, as the Company maintains its control in Zhongke Zhenhui and Guangdong Zhenyuan, the Acquisitions will be treated as equity transaction, no gain/loss will be reported in the Company's consolidated statement of profit or loss upon Completion.

Working capital

As the consideration of SPA I will be settled through issue of the Convertible Bonds and the consideration of SPA II will be settled through the issue of the Consideration Shares, there would not be any material change in the Company's working capital.

OPINION AND RECOMMENDATION

SPA I

Despite the premium/(discount) of Conversion Price over/(to) the relevant benchmark prices are lower than that of the average premium of the CB Comparable Transactions, we further considered the following factors,

1. the consideration of the SPA I represented a slight discount to the reconciled NAV of Zhongke Zhenhui as aforementioned;

2. the terms of the Convertible Bonds are acceptable;

3. entering into SPA I would enable the Group to share a higher portion of returns from Zhongke Zhenhui, and further enhance the control and increase the attributable interest in Guangdong Zhenyuan;

4. leveraging on the industry experience of Nanyue AM will strengthen the investment portfolio of Zhongke Zhenhui; and

5. the industry outlook of biotechnology industry in the PRC,

we considered that the terms of the SPA I are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, although entering into the SPA I is not in the ordinary and usual course of business of the Group because of its ‘‘one-off’’ nature.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the SPA I and the transactions contemplated thereunder.

SPA II

Despite (i) the Issue Price represented a discount to the average closing price during the Review Period; and (ii) a discount of the Issue Price to the 10-days Average is higher than that of the median discount and average discount of the Revised CS Comparable Transactions, we considered the following factors,

1. the consideration of the SPA II represented a discount to the reconciled NAV of Guangdong Zhenyuan as aforementioned;

2. the Issue Price is acceptable;

3. entering into SPA II would enable the Group to share a higher portion of returns from Guangdong Zhenyuan;

4. leveraging Shenzhen Huaxin’s resources and the experience of Mr. Ou and Ms. Chai will enrich the investment portfolio and improve the financial performance of Guangdong Zhenyuan; and

5. the industry outlook of biotechnology industry in the PRC,

we considered that the terms of the SPA II are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, although entering into the SPA II is not in the ordinary and usual course of business of the Group because of its ‘‘one-off’’ nature.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the SPA II and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Wong Wai Leung**
Managing Director	*Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions of listed companies in Hong Kong subject to the compliance to the Listing Rules and the Takeovers Code. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for each of the years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sinolifegroup.com):

– Annual report of the Company for the year ended 31 December 2020 (pages 63 to 219) https://www1.hkexnews.hk/listedco/listconews/gem/2021/0430/2021043000849.pdf

– Annual report of the Company for the year ended 31 December 2021 (pages 73 to 239) https://www1.hkexnews.hk/listedco/listconews/gem/2022/0426/2022042600830.pdf

– Annual report of the Company for the year ended 31 December 2022 (pages 74 to 247) https://www1.hkexnews.hk/listedco/listconews/gem/2023/0331/2023033104095.pdf

2. INDEBTEDNESS

As at the close of business on 30 April 2023, being the latest practicable date for the purpose of this statement of indebtedness, the Post-Acquisition Group has outstanding borrowings and debts of approximately RMB29,607,000, details of which are set out as follows:

	Notes	*RMB'000*
Bank borrowings	(i)	4,474
Amount due to a director	(ii)	1,235
Amount due to a shareholder	(ii)	2,319
Lease liabilities	(iii)	21,579
		29,607

Notes:

(i) Bank borrowings of approximately RMB3,199,000 were secured by the freehold land and buildings in Taiwan with total carrying amount of approximately RMB22,998,000. The remaining bank borrowings of approximately RMB1,275,000 is guaranteed by Mr. Liu Tien-Tsai, an executive Director.

(ii) The amounts are unsecured, interest-free and repayable within one year.

(iii) The amounts are unsecured, interest-free and repayable on scheduled repayment dates as set out in the respective lease agreements.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 April 2023, the Post-Acquisition Group did not have debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans, or other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or mortgages and charges, or contingent liabilities or guarantees.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the Acquisitions, and the present financial resources available to the Post-Acquisition Group, including internal resources, cash flow from operations, and the available banking facilities, the Post-Acquisition Group will have sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2022 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT

The Post-Acquisition Group is principally engaged in the provision of funeral and related services in the PRC, Taiwan and Hong Kong, sale of burial plots and tombstones and provision of cemetery maintenance services in Vietnam, sales of advance biotechnical machineries and other electronic products in Hong Kong, and investment activities in the PRC.

The macroeconomic environment experienced various challenges, including the COVID-19 pandemic, the Russian-Ukrainian conflict and the significant interest rate hike by the Federal Reserve, which leads to uncertainty in business development. However, such impact on the operation of the Post-Acquisition Group is not significant due to the Post-Acquisition Group's business nature of funeral services, cremation and cemetery services. According to the annual report for the year ended 31 December 2022, the Group recorded revenue generated from the provision of funeral services, cremation and cemetery services of approximately RMB78.0 million, representing an increase of approximately 7.0% as compared to the corresponding period in 2021.

In addition to traditional funeral services, the Group developed the biotechnology business since early 2019. After several years of development, such business has made a substantial progress. Looking forward, the Company will continue to adhere to the diversifying business strategy to ensure sustainable business development. While consolidating traditional funeral services, the Post-Acquisition Group will actively seize the significant opportunities arising from the booming development of the emerging biotechnology industry, and allocate more resources to support the development of the Post-Acquisition Group's biotechnology business.

Zhongke Zhenhui and Guangdong Zhenyuan will continue to serve as specialised and comprehensive investment platforms, focusing on investment in biotechnology industries, including but not limited to, biomedicine, medical healthcare and life science instruments. The Post-Acquisition Group will actively seek for appropriate investment targets or opportunities from time to time in order to expand the investment scale of the Post-Acquisition Group, and thus, maximising their investment income to the Post-Acquisition Group as well as the return to the Shareholders.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ZHONGKE ZHENHUI (GUANGDONG) MEDICAL TECHNOLOGY COMPANY LIMITED TO THE DIRECTORS OF SINO-LIFE GROUP LIMITED

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
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INTRODUCTION

We report on the historical financial information of Zhongke Zhenhui (Guangdong) Medical Technology Company Limited (the "**Target Company 1**") set out on pages IIA-5 to IIA-41, which comprises the statements of financial position of the Target Company 1 as at 31 December 2020, 2021 and 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company 1 for the period from 19 May 2020 (date of establishment) to 31 December 2020 and the two years ended 31 December 2021 and 2022 (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 IIA-5 to IIA-41 forms an integral part of this report, which has been prepared for inclusion in the circular of Sino-Life Group Limited (the "**Company**", the Company and its subsidiaries are collectively referred to as the "**Group**") dated 23 June 2023 (the "**Circular**") in connection with the proposed acquisition of 20.25% equity interest in the Target Company 1 by the Group.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The sole director of the Target Company 1 is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of the Target Company 1 determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of 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 1, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company 1's financial position as at 31 December 2020, 2021 and 2022 and of the Target Company 1's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF 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 IIA-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Target Company 1 in respect of the Relevant Periods.

No statutory financial statements for the Target Company 1

No statutory financial statements have been prepared for the Target Company 1 since its date of establishment.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong
23 June 2023

Chan Wing Fai
Practising Certificate Number P07327

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY 1 FOR THE PERIOD FROM 19 MAY 2020 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2020 AND THE TWO YEARS ENDED 31 DECEMBER 2021 AND 2022

Preparation of Historical Financial Information

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

The financial statements of the Target Company 1 for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by Crowe (HK) CPA Limited, *Certified Public Accountants*, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 19 MAY 2020 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2020 AND THE TWO YEARS ENDED 31 DECEMBER 2021 AND 2022

		From 19 May 2020 (date of establishment) to 31 December	**Year ended 31 December**	
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*6*	–	–	–
Other income and other net gains	*7*	1	20	12
Fair value gain/(loss) on financial assets measured at fair value through profit or loss ("**FVTPL**")	*18*	–	471	(225)
Administrative expenses		(513)	(235)	(615)
Impairment loss recognised under expected credit loss ("**ECL**") model on other receivables and deposits paid	*26(a)*	–	(3)	(37)
Impairment loss recognised under ECL model on amount due from a fellow subsidiary	*26(a)*	–	(700)	–
Loss on disposal of a subsidiary	*15*	–	(187)	–
Finance costs	*8(a)*	(6)	(2)	(12)
Loss before taxation	*8*	(518)	(636)	(877)
Income tax expense	*9*	–	–	–
Loss and total comprehensive expense for the period/year		(518)	(636)	(877)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020, 2021 AND 2022

		At 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investment in a subsidiary	*15*	–	–	15,000
Investment in an associate	*16*	–	–	–
Right-of-use assets	*17*	45	349	–
Deposit paid	*19*	33	40	–
		78	389	15,000
CURRENT ASSETS				
Financial assets measured at FVTPL	*18*	–	4,095	5
Other receivables and deposits paid	*19*	12	14	3
Amount due from a fellow subsidiary	*20*	–	–	–
Cash and cash equivalents	*21*	363	427	65
		375	4,536	73
CURRENT LIABILITIES				
Other payables and accruals	*22*	34	38	14
Lease liabilities	*23*	47	228	–
		81	266	14
NET CURRENT ASSETS		294	4,270	59
TOTAL ASSETS LESS CURRENT LIABILITIES		372	4,659	15,059
NON-CURRENT LIABILITIES				
Lease liabilities	*23*	–	123	–
NET ASSETS		372	4,536	15,059
EQUITY				
Paid-in capital	*24*	890	5,690	17,090
Accumulated losses		(518)	(1,154)	(2,031)
TOTAL EQUITY		372	4,536	15,059

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD FROM 19 MAY 2020 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2020 AND THE TWO YEARS ENDED 31 DECEMBER 2021 AND 2022

	Paid-in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
On 19 May 2020 (date of establishment)	–	–	–
Loss and total comprehensive expense for the period	–	(518)	(518)
Capital contribution from a shareholder *(Note 24)*	890	–	890
At 31 December 2020 and 1 January 2021	890	(518)	372
Loss and total comprehensive expense for the year	–	(636)	(636)
Capital contribution from a shareholder *(Note 24)*	4,800	–	4,800
At 31 December 2021 and 1 January 2022	5,690	(1,154)	4,536
Loss and total comprehensive expense for the year	–	(877)	(877)
Capital contribution from a shareholder *(Note 24)*	11,400	–	11,400
At 31 December 2022	17,090	(2,031)	15,059

STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM 19 MAY 2020 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2020 AND THE TWO YEARS ENDED 31 DECEMBER 2021 AND 2022

	Notes	From 19 May 2020 (date of establishment) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000
OPERATING ACTIVITIES				
Loss before taxation		(518)	(636)	(877)
Adjustment for:				
Finance costs	*8(a)*	6	2	12
Depreciation of right-of-use assets	*8(c)*	99	19	155
Impairment losses recognised under ECL model on other receivables and deposits paid	*26(a)*	–	3	37
Impairment losses recognised under ECL model on amount due from a fellow subsidiary	*26(a)*	–	700	–
Gain on lease modification	*7*	–	(2)	(9)
Interest income on deposits	*7*	(1)	(17)	(1)
Fair value (gain)/loss on financial assets measured at FVTPL	*18*	–	(471)	225
Loss on disposal of a subsidiary	*15*	–	187	–
		(414)	(215)	(458)
CHANGES IN WORKING CAPITAL				
(Increase)/decrease in other receivables and deposits paid		(45)	(12)	14
Increase/(decrease) on other payables and accruals		34	4	(24)
NET CASH USED IN OPERATING ACTIVITIES		(425)	(223)	(468)
INVESTING ACTIVITIES				
Purchase of financial assets measured at FVTPL		–	(4,906)	–
Proceeds from disposal of financial assets measured at FVTPL		–	1,282	3,865
Investment in a subsidiary		–	(1,020)	(15,000)
Proceed from disposal of a subsidiary		–	833	–
Interest received		1	17	1
Advance to a fellow subsidiary		–	(700)	–

	Notes	From 19 May 2020 (date of establishment) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	2022 RMB'000
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		1	(4,494)	(11,134)
FINANCING ACTIVITIES				
Capital contribution from shareholders	*24*	890	4,800	11,400
Repayment of lease liabilities, including related interests	*21*	(103)	(19)	(160)
NET CASH GENERATED FROM FINANCING ACTIVITIES		787	4,781	11,240
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		363	64	(362)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		–	363	427
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR		363	427	65
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
– Balances at banks and other financial institution	*21*	363	427	65

NOTES TO THE HISTORICAL FINANCIAL INFORMATION FOR THE PERIOD FROM 19 MAY 2020 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2020 AND THE TWO YEARS ENDED 31 DECEMBER 2021 AND 2022

1. GENERAL

Zhongke Zhenhui (Guangdong) Medical Technology Company Limited (the "**Target Company 1**") was established as a company with limited liability in the People's Republic of China (the "**PRC**") on 19 May 2020. The addresses of the registered office and principal place of business of the Target Company 1 is Unit 3804B, 38/F, 16 Huaxia Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC. The principal activities of the Target Company 1 are provision of investment activities in the PRC during the Relevant Periods.

As at 31 December 2022, the sole director of the Target Company 1 considers the immediate and ultimate parent of the Target Company 1 to be Zhongke Xunda Biotechnology (Shenzhen) Company Limited and Sino-Life Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), which were established with limited liability in the PRC and incorporated with limited liability in the Cayman Islands respectively. The shares of the Company are listed on the GEM of the Stock Exchange of Hong Kong Limited and the Company produces consolidated financial statements available for public use.

The Historical Financial Information of the Target Company 1 is presented in Renminbi ("**RMB**"), which is the same as its functional currency.

The financial statements have been prepared solely for the purpose of inclusion in the Historical Financial Information of the Target Company 1 in the circular issued by the Company in connection with the proposed acquisition of 20.25% equity interest in the Target Company 1 by the Group.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

(a) Statement of compliance

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The Historical Financial Information contained in this Circular does not constitute the Target Company 1's statutory annual financial statements for any of the financial period from 19 May 2020 (date of establishment) to 31 December 2020 or financial years ended 31 December 2021 and 2022.

(b) Going concern basis

In preparation of the Historical Financial Information, the sole director of the Target Company 1 has given due and careful consideration to the future liquidity of the Target Company 1 in light of the Target Company 1's loss making position which recorded net loss of approximately RMB877,000 during the year ended 31 December 2022 while the Target Company 1 only recorded net current assets of approximately RMB59,000. In the opinion of the sole director of the Target Company 1, the Historical Financial Information has been prepared on a going concern basis as the Company agreed to provide adequate funds to enable the Target Company 1 to meet in full its financial obligations as they fall due in the foreseeable future.

(c) Consolidated financial statements

In accordance with the criteria set out in paragraph 4 of HKFRS 10 "*Consolidated Financial Statements*", the Target Company 1 is exempted from the preparation of consolidated financial statements. In addition, in accordance with the criteria set out in paragraph 17 of Hong Kong Accounting Standard 28 "*Investments in Associates and Joint Ventures*", the Target Company 1 is exempted from using equity method to account for its investment in an associate. The shares of the Company are listed on the GEM of the Stock Exchange of Hong Kong Limited and the Company produces consolidated financial statements in accordance with HKFRSs which are available for public use. Consequently, the Historical Financial Information does not give all the information about the economic activities of the group of which the Target Company 1 is the parent which would have been disclosed had the Target Company 1 prepared consolidated financial statements, and had the Target Company 1 adopted equity method to account for its investment in an associate.

(d) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgments made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 5.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Target Company 1 has consistently applied the HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments to HKFRSs and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the accounting period beginning on 1 January 2022 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classifications of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[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 after 1 January 2024

The sole director of the Target Company 1 anticipates the application of all new and amendments to HKFRSs will have no material impact on the financial statements of the Target Company 1 in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial assets measured at FVTPL, which are stated at their fair value as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company 1 takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are accounted for in accordance with HKFRS 16 "*Leases*", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Subsidiary

Subsidiary is an entity controlled by the Target Company 1. Control is achieved when the Target Company 1:

- 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 1 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.

In the Target Company 1's statement of financial position, investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Associate

An associate is an entity in which the Target Company 1 has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

In the Target Company 1's statement of financial position, an investment in an associate is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Leased assets

At inception of a contract, the Target Company 1 assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Target Company 1 has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Target Company 1 recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Target Company 1 enters into a lease in respect of a low-value asset, the Target Company 1 decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment properties are carried at fair value; and

– right-of-use assets related to leasehold land and buildings where the Target Company 1 is the registered owner of the leasehold interest are carried at fair value.

Depreciation is calculated to write off the cost of right-of-use assets using the straight line method over the unexpired term of lease.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Target Company 1's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Target Company 1 will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the condition set out in paragraph 46B of HKFRS 16 "*Leases*". In such cases, the Target Company 1 has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concession occurred.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company 1 becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

– the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Target Company 1 may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "*Business Combinations*" applies.

A financial asset is classified as held for trading if:

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

– on initial recognition it is a part of a portfolio of identified financial instruments that the Target Company 1 manages together and has a recent actual pattern of short-term profit-taking; or

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

In addition, the Target Company 1 may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Target Company 1 performs impairment assessment under ECL model on financial assets (including other receivables and deposit paid, amount due from a fellow subsidiary and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Target Company 1's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Company 1 measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Company 1 recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company 1 compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company 1 considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

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

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

Irrespective of the outcome of the above assessment, the Target Company 1 presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company 1 has reasonable and supportable information that demonstrates otherwise.

The Target Company 1 regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Company 1 considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company 1, in full (without taking into account any collaterals held by the Target Company 1).

Irrespective of the above, the Target Company 1 considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company 1 has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

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

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Target Company 1 writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Company 1's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company 1 in accordance with the contract and the cash flows that the Target Company 1 expects to receive, discounted at the effective interest rate determined at initial recognition.

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

The Target Company 1 recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

The Target Company 1 derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company 1 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company 1 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Company 1 retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company 1 continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company 1 are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Target Company 1 derecognises financial liabilities when, and only when, the Target Company 1's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Target Company 1 applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

– the change is necessary as a direct consequence of interest rate benchmark reform; and

– the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 4.

Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– right-of-use assets;

– investment in a subsidiary; and

– investment in an associate

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is a cash generating unit ("**CGU**")). A portion of the carrying amount of a corporate asset is allocated to an individual CGU if the allocation can be done on a reasonable and consistent basis, or to the smallest group of CGU if otherwise.

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period/year in which the reversals are recognised.

Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period/year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Termination benefits

Termination benefits are recognised at the earlier of when the Target Company 1 can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Income tax

Income tax for the period/year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period/year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Target Company 1 controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Company 1 has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Target Company 1 intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Provisions and contingent liabilities

Provisions are recognised when the Target Company 1 has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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, whose existence 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Related parties

(a) A person, or a close member of that person's family, is related to the Target Company 1 if that person:

(i) has control or joint control over the Target Company 1;

(ii) has significant influence over the Target Company 1; or

(iii) is a member of the key management personnel of the Target Company 1 or the Target Company 1's parent.

(b) An entity is related to the Target Company 1 if any of the following conditions applies:

(i) the entity and the Target Company 1 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 employees of either the Target Company 1 or an entity related to the Target Company 1;

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

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company 1 or to the Target Company 1'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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company 1's accounting policies, which are described in Note 4, the sole director of the Target Company 1 is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(i) Impairment assessment on right-of-use asset and investment in a subsidiary

In considering the impairment losses that may be required for the Target Company 1's right-of-use asset and investment in a subsidiary, the recoverable amount of the asset need to be determined. The recoverable amount is the higher of its fair value less cost of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, the Target Company 1 uses all readily available information in determining expected cash flows generated by the cash-generating unit to which the asset belongs and they are discounted to their present value, which requires significant judgements. Notwithstanding that the Target Company 1 has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher or lower than the amount estimated.

(ii) Estimation of incremental borrowing rate ("IBR")

The Target Company 1 cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Target Company 1 would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Target Company 1 "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Target Company 1 estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

(iii) Impairment allowances on other receivables and deposits paid and amount due from a fellow subsidiary

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Target Company 1's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Target Company 1's internal credit grading model, which assigns probabilities of default to the individual grades;
- The Target Company 1's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on probabilities of default, exposures at default and losses given default; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Target Company 1's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

6. REVENUE

The Target Company 1 did not generate any income for the Relevant Periods.

7. OTHER INCOME AND OTHER NET GAINS

	From 19 May 2020 (date of establishment) to 31 December	**Year ended 31 December**	
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest income on deposits	1	17	1
Total interest income on financial assets measured at amortised cost	1	17	1
Sundry income	–	1	2
Gain on lease modification *(Note 17)*	–	2	9
	1	20	12

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the followings:

		From 19 May 2020 (date of establishment) to 31 December	Year ended 31 December	
		2020	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
(a)	Finance costs			
	Interest on lease liabilities *(Note 17)*	6	2	12
(b)	Staff costs (including director's emoluments)			
	Salaries, wages and other benefits	200	171	399
	Contributions to defined contribution retirement plans	–	4	18
		200	175	417
(c)	Depreciation			
	Depreciation of right-of-use assets *(Note 17)*	99	19	155
(d)	Other item			
	Auditor's remuneration *(Note)*	–	–	–

Note: The auditor's remuneration for the Relevant Periods are borne by the Company.

9. INCOME TAX

During the Relevant Periods, the Target Company 1 is subject to PRC Enterprise Income Tax rate at 25% in accordance with the Law of the PRC on Enterprises Income Tax. No provision for PRC Enterprise Income Tax has been made as the Target Company 1 did not have assessable profits for the Relevant Periods.

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

	From 19 May 2020 (date of establishment) to 31 December	Year ended 31 December	
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	(518)	(636)	(877)
Notional tax on loss before taxation, calculated at 25%	(130)	(159)	(219)
Tax effect of non-taxable income	–	(122)	(57)
Tax effect of non-deductible expenses	130	281	276
Actual tax expense	–	–	–

No provision for deferred taxation has been made for the Relevant Periods as the effect of temporary difference is not material.

10. DIRECTOR'S REMUNERATION

Director's remuneration as defined in section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

Name of director	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the period from 19 May 2020 (date of establishment) to 31 December 2020				
Xu Jianguo	–	–	–	–
For the year ended 31 December 2021				
Xu Jianguo	–	7	–	7
For the year ended 31 December 2022				
Xu Jianguo	–	25	–	25

No director of the Target Company 1 waived or agreed to waive any emoluments and no emoluments were paid or payable by the Target Company 1 to any of the director as an inducement to join or upon joining the Target Company 1 or as compensation for loss of office for the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

During the period from 19 May 2020 (date of establishment) to 31 December 2020, the Target Company 1 had two employees. None of them is a director of the Target Company 1.

Of the five employees with the highest emoluments for the years ended 31 December 2021 and 2022, none of them is a director of the Target Company 1. The aggregate of the emoluments of the remaining two, five and five employees for the Relevant Periods are as follows:

	From 19 May 2020 (date of establishment) to 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and other benefits	200	133	289
Contributions to retirement benefit scheme	–	2	18
	200	135	307

The emoluments of the two, five and five employees with the highest emoluments during the Relevant Periods are within the following band:

	From 19 May 2020 (date of establishment) to 31 December	Year ended 31 December	
	2020	**2021**	**2022**
	Number of employees	*Number of employees*	*Number of employees*
Nil to HK$1,000,000 (equivalent to approximately RMB858,795)	2	5	5

No emoluments were paid or payable by the Target Company 1 to any of the two, five and five highest paid employees as an inducement to join or upon joining the Target Company 1 or as compensation for loss of office for the Relevant Periods.

12. LOSS PER SHARE

No loss per share information is presented for the purpose of this Historical Financial Information as its inclusion is not considered meaningful.

13. DIVIDEND

No dividend was paid or proposed for the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

14. RETIREMENT BENEFITS SCHEMES

Qualifying employees of the Target Company 1 are required to participate in a defined contribution retirement benefit scheme administrated and operated by the local municipal government. The Target Company 1 is required to make contributions to scheme based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC. The contributions are charged to the statement of profit or loss and other comprehensive income.

The Target Company 1 has no other material obligation for the payment of retirement benefits associated with the retirement benefit schemes beyond the contribution described above.

The Target Company 1 had no forfeited contributions under its defined contribution retirement benefits schemes in the PRC which may be used to reduce the existing level of contributions during the Relevant Periods. There were also no forfeited contributions available to reduce future contributions at 31 December 2020, 2021 and 2022.

15. INVESTMENT IN A SUBSIDIARY

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investment at cost	–	–	15,000

As at 31 December 2021 and 2022, the Target Company 1 had interest in the following subsidiary:

Name of subsidiary	Place of establishment	Registered capital	Paid-up capital	Proportion of registered capital held by the Target Company 1 Direct	Indirect	Principal activities
At 31 December 2021						
Guangdong Zhenyuan Investment Company Limited#	PRC	RMB70,000,000	Nil	57.14%	–	Not yet commenced business
At 31 December 2022						
Guangdong Zhenyuan Investment Company Limited#	PRC	RMB70,000,000	RMB30,000,000	57.14%	–	Investment activities and corporate management consultation

The subsidiary was established in the PRC on 20 December 2021, and no registered capital was paid-up as at 31 December 2021.

On 16 April 2021, Zhongke Kangyuan (Guangzhou) Biotechnology Company Limited ("**Zhongke Kangyuan**") was established in the PRC with limited liability, which the Target Company 1 had 51% equity interest in Zhongke Kangyuan. The registered capital of Zhongke Kangyuan was RMB5,000,000 and the Target Company 1 contributed RMB1,020,000 as paid-up capital.

On 2 July 2021, the Target Company 1 disposed of its entire 51% equity interest in Zhongke Kangyuan to the non-controlling shareholder of Zhongke Kangyuan at a consideration of approximately RMB833,000. The Target Company 1 recognised a loss on disposal of a subsidiary of RMB187,000 in the statement of profit or loss and other comprehensive income during the year ended 31 December 2021.

During the period from 16 April 2021 (date of establishment of Zhongke Kangyuan) to 2 July 2021 (date of disposal of Zhongke Kangyuan by the Target Company 1), Zhongke Kangyuan was inactive.

16. INVESTMENT IN AN ASSOCIATE

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investment at cost	–	–	–

As at 31 December 2021 and 2022, the Target Company 1 had interest in the following associate:

Name of subsidiary	Place of establishment	Registered capital	Paid-up capital	Proportion of registered capital held by the Target Company 1	Principal activities
At 31 December 2021					
Foshan Zhougong Intelligent Technology Co., Ltd.#	PRC	RMB6,000,000	Nil	41%	Not yet commenced business
At 31 December 2022					
Foshan Zhougong Intelligent Technology Co., Ltd.#	PRC	RMB6,000,000	Nil	41%	Not yet commenced business

The associate was established in the PRC on 15 July 2021.

17. RIGHT-OF-USE ASSETS

	Leased properties
	RMB'000
	(Note)
At 31 December 2020	
Carrying amount	45
At 31 December 2021	
Carrying amount	349
At 31 December 2022	
Carrying amount	–
During the period from 19 May 2020 (date of establishment) to 31 December 2020	
Depreciation charge	99
During the year 31 December 2021	
Depreciation charge	19
During the year 31 December 2022	
Depreciation charge	155

Note: Leased properties carried at depreciated cost with remaining terms of 0.33 year, 1.5 years and Nil year during the period from 19 May 2020 (date of establishment) to 31 December 2020, and the two years ended 31 December 2021 and 2022 respectively.

For the Relevant Periods, the Target Company 1 leases various offices for its operation. Lease contract is entered into for fixed term of 1.07 years, 1.58 years and 1.58 years during the period from 19 May 2020 (date of establishment) to 31 December 2020, and the two years ended 31 December 2021 and 2022 respectively. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Company 1 applies the definition of a contract and determines the period for which the contract is enforceable.

During the period from 19 May 2020 (date of establishment) to 31 December 2020, and the two years ended 31 December 2021 and 2022, the Target Company 1 had additions of right-of-use assets of approximately RMB144,000, RMB368,000 and RMBNil respectively.

During the period from 19 May 2020 (date of establishment) to 31 December 2020, and the two years ended 31 December 2021 and 2022, the Target Company 1 had lease modification and recognised gain on lease modification of approximately RMBNil, RMB2,000 and RMB9,000 respectively.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	From 19 May 2020 (date of establishment) to 31 December	**Year ended 31 December**	
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset *(Note 8(c))*			
– Leased properties	99	19	155
Interest on lease liabilities *(Note 8(a))*	6	2	12

Cash outflow for leases

Amounts included in the statements of cash flows for leases comprise the following:

	From 19 May 2020 (date of establishment) to 31 December	**Year ended 31 December**	
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within financing cash flows	103	19	160
These amounts relate to the following:			
– Lease rental paid	103	19	160

18. FINANCIAL ASSETS MEASURED AT FVTPL

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Listed outside Hong Kong for trading purposes			
– Equity securities	–	4,095	5

At 31 December 2020, 2021 and 2022, the equity securities listed outside Hong Kong for trading purpose were stated at fair value, determined by reference to bid prices quoted in an active market.

The above financial assets are classified as current as the management expects to realise these financial assets within twelve months after the reporting period.

Equity securities for trading purpose are presented within ''investing activities'' in the statements of cash flows. The Target Company 1 recognised a net realised and unrealised gain/(loss) of approximately RMBNil, RMB471,000 and RMB(225,000) for the period from 19 May 2020 (date of establishment) to 31 December 2020, and the two years ended 31 December 2021 and 2022 respectively.

19. OTHER RECEIVABLES AND DEPOSIT PAID

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	12	17	3
Less: Allowance for credit losses *(Note 26(a))*	–	(3)	(3)
	12	14	–
Deposit paid *(Note)*	33	40	40
Less: Allowance for credit losses *(Note 26(a))*	–	–	(37)
	33	40	3
	45	54	3
Representing:			
Non-current assets			
– Deposit paid	33	40	–
Current assets			
– Other receivables and deposit paid	12	14	3
	45	54	3

All of the current portion of other receivables and deposits paid are expected to be recovered within one year.

Details of the Target Company 1's credit policy and impairment assessment of other receivables and deposits paid for the Relevant Periods are set out in Note 26(a) to the Historical Financial Information.

20. AMOUNT DUE FROM A FELLOW SUBSIDIARY

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

Details of the Target Company 1's credit policy and impairment assessment of amount due from a fellow subsidiary for the Relevant Periods are set out in Note 26(a) to the Historical Financial Information.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statements of financial position and the statements of cash flows represent cash at bank and other financial institution. Cash at bank and other financial institution earns interests at floating rates based on daily deposit rates.

At 31 December 2020, 2021 and 2022, cash at bank and other financial institution of the Target Company 1 of approximately RMB363,000, RMB427,000 and RMB65,000 respectively were denominated in RMB and placed with banks and other financial institution in the PRC. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Reconciliation of liabilities arising from financing activities

	Lease liabilities		
	From 19 May 2020 (date of establishment) to 31 December	**Year ended 31 December**	
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the period/year	–	47	351
Changes from financing cash flows			
Repayment of principal of lease liabilities	(97)	(17)	(148)
Payment of interest	(6)	(2)	(12)
Total changes from financing cash flows	(103)	(19)	(160)
Finance costs	6	2	12
Addition of right-of-use assets	144	368	–
Lease modification	–	(47)	(203)
At end of the period/year	47	351	–

As at 31 December 2020, 2021 and 2022, the Target Company 1 performed impairment assessment on cash at banks and other financial institution balances, and concluded that the probability of defaults of the counterparties are insignificant and accordingly, no allowance for credit loss is provided.

22. OTHER PAYABLES AND ACCRUALS

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other payables and accruals	34	38	14

All of the current portion of other payables and accruals are expected to be settled within one year or are repayable on demand.

The carrying amounts of other payables and accruals approximate to their fair values.

23. LEASE LIABILITIES

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within one year	47	228	–
Within a period of more than one year but not more than two years	–	123	–
	47	351	–
Less: Amounts due for settlement within 12 months shown under current liabilities	(47)	(228)	–
Amounts due for settlement after 12 months shown under non-current liabilities	–	123	–

Details of maturity of lease liabilities are set out in Note 26(b) to the Historical Financial Information.

24. PAID-IN CAPITAL

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Registered capital	10,000	10,000	80,000
Paid-up capital	890	5,690	17,090

During the period from 19 May 2020 (date of establishment) to 31 December 2020, one of the shareholders of the Target Company 1 contributed RMB890,000 as paid-up capital in cash.

During the year ended 31 December 2021, one of the shareholders of the Target Company 1 contributed RMB4,800,000 as paid-up capital in cash.

During the year ended 31 December 2022, one of the shareholders of the Target Company 1 contributed RMB11,400,000 as paid-up capital in cash.

25. FINANCIAL INSTRUMENTS BY CATEGORIES

	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at FVTPL			
Listed outside Hong Kong for trading purpose			
– Equity securities	–	4,095	5
Amortised cost	396	470	68
Financial liabilities			
Amortised cost	47	389	14

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Target Company 1 has exposure to the credit risk, liquidity risk, interest rate risk, currency risk and equity price risk arising from financial instruments. The Target Company 1's exposure to these risks and the financial risk management policies and practices used by the Target Company 1 to manage these risk are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Target Company 1. The Target Company 1's credit risk is primarily attributable to other receivables and deposit paid, amount due from a fellow subsidiary and cash and cash equivalents. Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

The Target Company 1 performed impairment assessment for financial assets and other items under ECL model. Information about the Target Company 1's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Cash and cash equivalents

The Target Company 1's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a high credit rating assigned by international credit-rating agencies, which the Target Company 1 considers to be low credit risk.

Other receivables and deposit paid and amount due from a fellow subsidiary

For other receivables and deposit paid and amount due from a fellow subsidiary, the sole director of the Target Company 1 makes periodic individual assessment on the recoverability of other receivables and deposit paid and amount due from a fellow subsidiary based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The sole director of the Target Company 1 believes that there is no significant increase in credit risk of these amounts since initial recognition and the Target Company 1 provided impairment based on 12m ECL.

Movement in the loss allowance account in respect of other receivables and deposit paid and amount due from a fellow subsidiary during the Relevant Periods is as follows:

	Loss allowance	
	Other receivables and deposits paid	**Amount due from a fellow subsidiary**
	RMB'000	*RMB'000*
At 19 May 2020 (date of establishment), 31 December 2020 and 1 January 2021	–	–
Impairment loss recognised	3	700
At 31 December 2021 and 1 January 2022	3	700
Impairment loss recognised	37	–
At 31 December 2022	40	700

The origination of new other receivables and deposit paid net of those settled resulted in an increase in loss allowance of approximately RMBNil, RMB3,000, and RMB37,000 for the period from 19 May 2020 (date of establishment) to 31 December 2020, and the two years ended 31 December 2021 and 2022 respectively.

The origination of new amount due from a fellow subsidiary resulted in an increase in loss allowance of approximately RMBNil, RMB700,000, and RMBNil for the period from 19 May 2020 (date of establishment) to 31 December 2020, and the two years ended 31 December 2021 and 2022 respectively.

(b) Liquidity risk

Regarding the liquidity risk, management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Target Company 1's operations and mitigate the effects of fluctuations in cash flows.

The following tables set out the remaining contractual maturities at the end of the reporting period of the Target Company 1's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Target Company 1 can be required to pay.

At 31 December 2020	Weighted average interest rate %	On demand RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
Lease liabilities	9.7	–	47	–	47	47

At 31 December 2021	Weighted average interest rate %	On demand RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
Other payables and accruals	–	38	–	–	38	38
Lease liabilities	7.0	–	244	125	369	351
		38	244	125	407	389

At 31 December 2022	Weighted average interest rate %	On demand RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities						
Other payables and accruals	–	14	–	–	14	14

(c) Interest rate risk

The Target Company 1 is exposed to cash flow interest rate risk in relation to cash at banks and other financial institution at variable rates. The Target Company 1 is also exposed to fair value interest rate risk in relation to fixed-rate lease liabilities. The Target Company 1 did not use derivative financial instruments to hedge its debt obligations. The Target Company 1 manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Cash at banks and other financial institution are carried at low interest rates and the interest income thereon is not significant.

The following table, as reported to the management of the Target Company 1, details the interest rate risk profile of the Target Company 1's liabilities at the end of the reporting period.

	Lease liabilities		
	At 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount	47	351	–
	%	%	%
Effective interest rate	9.7	7.0	–

(d) Currency risk

The Target Company 1 currently does not have a foreign currency hedging policy. However, the sole director monitors its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. At 31 December 2020, 2021 and 2022, there is minimal exposure to currency risk by the Target Company 1 as substantially all financial assets and all financial liabilities recognised are denominated in the functional currency of the Target Company 1.

(e) Equity price risk

The Target Company 1 is exposed to equity price changes arising from financial assets measured at FVTPL.

The Target Company 1 is exposed to equity price risk through its investments in listed equity securities as disclosed in Note 18 to the Historical Financial Information. Decisions to buy or sell listed equity securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Target Company 1's liquidity need.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of each reporting period.

If the prices of the financial assets measured at FVTPL had been 10% lower/higher, the Target Company 1's loss after tax would increase/decrease and accumulated losses would increase/decrease by approximately RMBNil, RMB410,000 and RMB1,000 for the period from 19 May 2020 (date of establishment) to 31 December 2020, and the two years 31 December 2021 and 2022 respectively, as a result of the changes in fair value of financial assets measured at FVTPL.

The sensitivity analysis indicates the instantaneous change in the Target Company 1's loss after tax (and accumulated losses) and other components of equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Target Company 1 which expose the Target Company 1 to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Target Company 1's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for the Relevant Periods.

(f) Fair value measurement

Financial assets measured at FVTPL

The following table presents the fair value of the Target Company 1's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three level fair value hierarchy as defined in HKFRS 13, "*Fair value measurement*". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurement categorised into	**Fair value at 31 December**		
		2020	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Asset				
Financial assets measured at FVTPL	Level 1	–	4,095	5

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Target Company 1's policy is to recognise transfers between Levels of fair value hierarchy as at the end of the reporting period in which they occur.

Fair value of financial instruments carried at other than fair value

The carrying amounts of the Target Company 1's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020, 2021 and 2022.

27. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Target Company 1 had the following transaction with related party during the Relevant Periods:

Remuneration for close family member of key management personnel

Remuneration for close family member of key management personnel of the Target Company 1 is as follows:

	From 19 May 2020 (date of establishment) to 31 December	Year ended 31 December	
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Qiu Qi*			
– Salaries, allowances and other benefits	–	23	136
– Contributions to retirement benefit scheme	–	2	13
	–	25	149

* Ms. Qiu Qi is the spouse of Mr. Xu Jianchun, who has significant influence over the ultimate holding company of the Target Company 1.

The remuneration is included in ''staff costs'' (see note 8(b)).

28. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the Historical Financial Information, there has been no significant event occurred after the end of the reporting period.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company 1 have been prepared in respect of any period subsequent to 31 December 2022.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GUANGDONG ZHENYUAN INVESTMENT COMPANY LIMITED TO THE DIRECTORS OF SINO-LIFE GROUP LIMITED

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
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INTRODUCTION

We report on the historical financial information of Guangdong Zhenyuan Investment Company Limited (the "**Target Company 2**") set out on pages IIB-5 to IIB-29, which comprises the statements of financial position of the Target Company 2 as at 31 December 2021 and 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company 2 for the period from 20 December 2021 (date of establishment) to 31 December 2021 and the year ended 31 December 2022 (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 IIB-5 to IIB-29 forms an integral part of this report, which has been prepared for inclusion in the circular of Sino-Life Group Limited (the "**Company**", the Company and its subsidiaries are collectively referred to as the "**Group**") dated 23 June 2023 (the "**Circular**") in connection with the proposed acquisition of 21.43% equity interest in the Target Company 2 by the Group.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of 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 directors of the Target Company 2, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company 2's financial position as at 31 December 2021 and 2022 and of the Target Company 2's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF 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 IIB-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Target Company 2 in respect of the Relevant Periods.

No statutory financial statements for the Target Company 2

No statutory financial statements have been prepared for the Target Company 2 since its date of establishment.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong
23 June 2023

Chan Wing Fai
Practising Certificate Number P07327

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY 2 FOR THE PERIOD FROM 20 DECEMBER 2021 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2021 AND THE YEAR ENDED 31 DECEMBER 2022

Preparation of Historical Financial Information

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

The financial statements of the Target Company 2 for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by Crowe (HK) CPA Limited, *Certified Public Accountants*, Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 20 DECEMBER 2021 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2021 AND THE YEAR ENDED 31 DECEMBER 2022

	Notes	**From 20 December 2021 (date of establishment) to 31 December 2021** *RMB'000*	**Year ended 31 December 2022** *RMB'000*
Revenue	*6*	–	–
Other income	*7*	–	34
Fair value gain on financial assets measured at fair value through profit or loss ("**FVTPL**")	*15*	–	1,149
Administrative expenses		–	(633)
Profit before taxation	*8*	–	550
Income tax expense	*9*	–	(15)
Profit and total comprehensive income for the period/year		–	535

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 AND 2022

		At 31 December	
		2021	**2022**
	Notes	*RMB'000*	*RMB'000*
CURRENT ASSETS			
Financial assets measured at FVTPL	*15*	–	26,001
Cash and cash equivalents	*16*	–	4,629
		–	30,630
CURRENT LIABILITIES			
Other payables	*17*	–	80
Income tax payable		–	15
		–	95
NET ASSETS		–	30,535
EQUITY			
Paid-in capital	*18*	–	30,000
Retained profit		–	535
TOTAL EQUITY		–	30,535

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD FROM 20 DECEMBER 2021 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2021 AND THE YEAR ENDED 31 DECEMBER 2022

	Paid-in capital	Retained profit	Total
	RMB'000	*RMB'000*	*RMB'000*
On 20 December 2021 (date of establishment), at 31 December 2021 and 1 January 2022	–	–	–
Profit and total comprehensive income for the year	–	535	535
Capital contribution from shareholders *(Note 18)*	30,000	–	30,000
At 31 December 2022	30,000	535	30,535

STATEMENTS OF CASH FLOWS FOR THE PERIOD FROM 20 DECEMBER 2021 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2021 AND THE YEAR ENDED 31 DECEMBER 2022

	Notes	From 20 December 2021 (date of establishment) to 31 December 2021 RMB'000	Year ended 31 December 2022 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		–	550
Adjustment for:			
Interest income on deposits	*7*	–	(34)
Fair value gain on financial assets measured at FVTPL	*15*	–	(1,149)
		–	(633)
CHANGES IN WORKING CAPITAL			
Increase on other payables		–	80
NET CASH USED IN OPERATING ACTIVITIES		–	(553)
INVESTING ACTIVITIES			
Purchase of financial assets measured at FVTPL		–	(83,871)
Proceeds from disposal of financial assets measured at FVTPL		–	59,019
Interest received		–	34
NET CASH USED IN INVESTING ACTIVITIES		–	(24,818)
FINANCING ACTIVITIES			
Capital contribution from shareholders	*18*	–	30,000
CASH GENERATED FROM FINANCING ACTIVITIES		–	30,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		–	4,629
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		–	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR		–	4,629
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
— **Balances at bank and other financial institution**	*16*	–	4,629

NOTES TO THE HISTORICAL FINANCIAL INFORMATION FOR THE PERIOD FROM 20 DECEMBER 2021 (DATE OF ESTABLISHMENT) TO 31 DECEMBER 2021 AND THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL

Guangdong Zhenyuan Investment Company Limited (the "**Target Company 2**") was established as a company with limited liability in the People's Republic of China (the "**PRC**") on 20 December 2021. The addresses of the registered office and principal place of business of the Target Company 2 is Unit 1323, 13/F, Building B, Tianxia International Centre, 8 Taoyuan Road, Nanshan District, Shenzhen, the PRC. The principal activities of the Target Company 2 are provision of investment activities in the PRC during the Relevant Periods.

As at 31 December 2022, the directors of the Target Company 2 considers the immediate and ultimate parent of the Target Company 2 to be Zhongke Zhenhui (Guangdong) Medical Technology Company Limited and Sino-Life Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), which were established with limited liability in the PRC and incorporated with limited liability in the Cayman Islands respectively. The shares of the Company are listed on the GEM of the Stock Exchange of Hong Kong Limited and the Company produces consolidated financial statements available for public use.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Target Company 2.

The financial statements have been prepared solely for the purpose of inclusion in the Historical Financial Information of the Target Company 2 to be incorporated in the circular issued by the Company in connection with the proposed acquisition of 21.43% equity interest in Target Company 2 by the Group.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

(a) Statement of compliance

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The Historical Financial Information contained in this Circular does not constitute the Target Company 2's statutory annual financial statements for any of the financial period from 20 December 2021 (date of establishment) to 31 December 2021 or financial year ended 31 December 2022.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgments made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 5.

3. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Target Company 2 has consistently applied the HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments to HKFRSs and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the accounting period beginning on 1 January 2022 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classifications of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[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 after 1 January 2024

The directors of the Target Company 2 anticipate the application of all new and amendments to HKFRSs will have no material impact on the financial statements of the Target Company 2 in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial assets measured at FVTPL, which are stated at their fair value as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company 2 takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*", leasing transactions that are accounted for in accordance with HKFRS 16 "*Leases*", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Leased assets

At inception of a contract, the Target Company 2 assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Target Company 2 has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Target Company 2 recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Target Company 2 enters into a lease in respect of a low-value asset, the Target Company 2 decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment properties are carried at fair value; and

– right-of-use assets related to leasehold land and buildings where the Target Company 2 is the registered owner of the leasehold interest are carried at fair value.

Depreciation is calculated to write off the cost of right-of-use assets using the straight line method over the unexpired term of lease.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Target Company 2's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Target Company 2 will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the condition set out in paragraph 46B of HKFRS 16 "*Leases*". In such cases, the Target Company 2 has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concession occurred.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company 2 becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

– the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Target Company 2 may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "*Business Combinations*" applies.

A financial asset is classified as held for trading if:

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

– on initial recognition it is a part of a portfolio of identified financial instruments that the Target Company 2 manages together and has a recent actual pattern of short-term profit-taking; or

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

In addition, the Target Company 2 may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Target Company 2 performs impairment assessment under ECL model on financial assets (including cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Target Company 2's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Company 2 measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Company 2 recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company 2 compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company 2 considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

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

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

Irrespective of the outcome of the above assessment, the Target Company 2 presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company 2 has reasonable and supportable information that demonstrates otherwise.

The Target Company 2 regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Company 2 considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company 2, in full (without taking into account any collaterals held by the Target Company 2).

Irrespective of the above, the Target Company 2 considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company 2 has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

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

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Target Company 2 writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Company 2's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company 2 in accordance with the contract and the cash flows that the Target Company 2 expects to receive, discounted at the effective interest rate determined at initial recognition.

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

The Target Company 2 recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

The Target Company 2 derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company 2 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company 2 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Company 2 retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company 2 continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company 2 are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Target Company 2 derecognises financial liabilities when, and only when, the Target Company 2's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Target Company 2 applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

– the change is necessary as a direct consequence of interest rate benchmark reform; and

– the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 4.

Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period/year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Termination benefits

Termination benefits are recognised at the earlier of when the Target Company 2 can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

Income tax

Income tax for the period/year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period/year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Target Company 2 controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Company 2 has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Target Company 2 intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Provisions and contingent liabilities

Provisions are recognised when the Target Company 2 has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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, whose existence 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Related parties

(a) A person, or a close member of that person's family, is related to the Target Company 2 if that person:

(i) has control or joint control over the Target Company 2;

(ii) has significant influence over the Target Company 2; or

(iii) is a member of the key management personnel of the Target Company 2 or the Target Company 2's parent.

(b) An entity is related to the Target Company 2 if any of the following conditions applies:

(i) the entity and the Target Company 2 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 employees of either the Target Company 2 or an entity related to the Target Company 2;

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

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company 2 or to the Target Company 2'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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company 2's accounting policies, which are described in Note 4, the directors of the Target Company 2 are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

6. REVENUE

The Target Company 2 did not generate any income for the Relevant Periods.

7. OTHER INCOME

	From 20 December 2021 (date of establishment) to 31 December 2021	**Year ended 31 December 2022**
	RMB'000	*RMB'000*
Interest income on deposits	–	34
Total interest income on financial assets measured at amortised cost	–	34

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the followings:

	From 20 December 2021 (date of establishment) to 31 December 2021	**Year ended 31 December 2022**
	RMB'000	*RMB'000*
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	–	343
Contributions to defined contribution retirement plans	–	–
	–	343

	From 20 December 2021 (date of establishment) to 31 December 2021	Year ended 31 December 2022
	RMB'000	*RMB'000*
(b) Other items		
Auditor's remuneration *(note)*	–	–
Lease payments for leased properties not included in the measurement of lease liabilities relating to short-term leases	–	179

Note: The auditor's remuneration for the Relevant Periods are borne by the Company.

9. INCOME TAX

During the Relevant Periods, the Target Company 2 is subject to PRC Enterprise Income Tax rate at 25% in accordance with the Law of the PRC on Enterprises Income Tax. No provision for PRC Enterprise Income Tax has been made as the Target Company 2 did not have assessable profit during the period from 20 December 2021 (date of establishment) to 31 December 2021.

Reconciliation between income tax expense and accounting profit at applicable tax rate:

	From 20 December 2021 (date of establishment) to 31 December 2021	Year ended 31 December 2022
	RMB'000	*RMB'000*
Profit before taxation	–	550
Notional tax on profit before taxation, calculated at 25%	–	138
Tax effect of non-taxable income	–	(640)
Tax effect of non-deductible expenses	–	517
Actual tax expense	–	15

No provision for deferred taxation has been made for the Relevant Periods as the effect of temporary difference is not material.

10. DIRECTORS' REMUNERATION

Directors' remuneration as defined in section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

Name of director	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the period from 20 December 2021 (date of establishment) to 31 December 2021				
Xu Jianguo	–	–	–	–
Qiu Qi	–	–	–	–
Chai Bing	–	–	–	–
	–	–	–	–
For the year ended 31 December 2022				
Xu Jianguo	–	30	–	30
Qiu Qi	–	25	–	25
Chai Bing	–	–	–	–
	–	55	–	55

No director of the Target Company 2 waived or agreed to waive any emoluments and no emoluments were paid or payable by the Target Company 2 to any of the director as an inducement to join or upon joining the Target Company 2 or as compensation for loss of office for the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

The Target Company 2 neither have any staff nor incur staff costs during the period from 20 December 2021 (date of establishment) to 31 December 2021.

Of the five employees with the highest emoluments for the year ended 31 December 2022, one of them is a director of the Target Company 2. The aggregate of the emoluments of the remaining four employees for the year ended 31 December 2022 are as follows:

	Year ended 31 December 2022
	RMB'000
Salaries, allowances and other benefits	171
Contributions to retirement benefit scheme	–
	171

The emoluments of the four employees with the highest emoluments during the year ended 31 December 2022 are within the following band:

	Year ended 31 December 2022
	Number of employees
Nil to HK$1,000,000 (equivalent to approximately RMB858,795)	4

No emoluments were paid or payable by the Target Company 2 to any of the four highest paid employees as an inducement to join or upon joining the Target Company 2 or as compensation for loss of office for the year ended 31 December 2022.

12. EARNING PER SHARE

No earning per share information is presented for the purpose of this Historical Financial Information as its inclusion is not considered meaningful.

13. DIVIDEND

No dividend was paid or proposed for the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

14. RETIREMENT BENEFITS SCHEMES

Qualifying employees of the Target Company 2 are required to participate in a defined contribution retirement benefit scheme administrated and operated by the local municipal government. The Target Company 2 is required to make contributions to scheme based on certain percentage of the relevant portion of the payroll of all qualifying employees in accordance with the relevant regulations in the PRC. The contributions are charged to the statement of profit or loss and other comprehensive income.

The Target Company 2 has no other material obligation for the payment of retirement benefits associated with the retirement benefit schemes beyond the contribution described above.

The Target Company 2 had no forfeited contributions under its defined contribution retirement benefits schemes in the PRC which may be used to reduce the existing level of contributions during the Relevant Periods. There were also no forfeited contributions available to reduce future contributions at 31 December 2021 and 2022.

15. FINANCIAL ASSETS MEASURED AT FVTPL

	At 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Listed outside Hong Kong for trading purposes		
– Equity securities	–	15,724
– Debt instruments	–	4,532
– Exchange traded funds	–	5,745
	–	26,001

At 31 December 2022, the equity securities, debt instruments and exchange traded funds listed outside Hong Kong for trading purpose were stated at fair value, determined by reference to bid prices quoted in an active market.

The above financial assets are classified as current as the management expects to realise these financial assets within twelve months after the reporting period.

Equity securities, debt instruments and exchange traded funds for trading purpose are presented within ‘‘investing activities’’ in the statements of cash flows. The Target Company 2 recognised a net realised and unrealised gain of approximately RMBNil and RMB1,149,000 for the period from 20 December 2021 (date of establishment) to 31 December 2021, and the year ended 31 December 2022.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statements of financial position and the statements of cash flows represent cash at bank and other financial institution. Cash at bank and other financial institution earns interests at floating rates based on daily deposit rates.

At 31 December 2021 and 2022, cash at bank and other financial institution of the Target Company 2 of approximately RMBNil and RMB4,629,000 respectively were denominated in RMB and placed with banks and other financial institution in the PRC. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

As at 31 December 2022, the Target Company 2 performed impairment assessment on cash at bank and other financial institution, and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit loss is provided.

17. OTHER PAYABLES

	At 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Other payables	–	80

All of the current portion of other payables are expected to be settled within one year or are repayable on demand.

The carrying amounts of other payables approximate to their fair values.

18. PAID-IN CAPITAL

	At 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Registered capital	70,000	70,000
Paid-up capital	–	30,000

No registered capital was paid-up as at 31 December 2021.

During the year ended 31 December 2022, the shareholders of the Target Company 2 contributed an aggregate amount of RMB30,000,000 as paid-up capital in cash.

19. FINANCIAL INSTRUMENTS BY CATEGORIES

	At 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
Financial assets		
Financial assets measured at FVTPL		
Listed outside Hong Kong for trading purpose		
– Equity securities	–	15,724
– Debt instruments	–	4,532
– Exchange traded funds	–	5,745
	–	26,001
Financial liabilities		
Amortised cost	–	80

20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Target Company 2 has exposure to the credit risk, liquidity risk, interest rate risk, currency risk and equity price risk arising from financial instruments. The Target Company 2's exposure to these risks and the financial risk management policies and practices used by the Target Company 2 to manage these risk are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Target Company 2. The Target Company 2's credit risk is primarily attributable to debt instruments measured at FVTPL and cash and cash equivalents. Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

Except for debt instruments measured at FVTPL, the Target Company 2 performed impairment assessment for financial assets and other items under ECL model. Information about the Target Company 2's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Debt instruments measured at FVTPL

The Target Company 2 invests in certain debt instruments which are unrated. The investments in unrated debt instruments have to be approved by the directors of the Target Company 2. The directors of the Target Company 2 regularly review and monitor the portfolio of debt instruments. Details of the terms of these investments are disclosed in Note 15 to the Historical Financial Information. Summary of the fair value and principal amount of these investments are set out below.

	Unrated debt instruments	
	At 31 December	
	2021	2022
	RMB'000	*RMB'000*
Fair value	–	4,532
Principal amount	–	4,700

Cash and cash equivalents

The Target Company 2's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a high credit rating assigned by international credit-rating agencies, which the Target Company 2 considers to be low credit risk.

(b) Liquidity risk

Regarding the liquidity risk, management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Target Company 2's operations and mitigate the effects of fluctuations in cash flows.

The carrying amounts of the financial liabilities of the Target Company 2 represent the undiscounted cash flows of the non-interest bearing financial liabilities which are repayable on demand.

(c) Interest rate risk

The Target Company 2 is exposed to cash flow interest rate risk in relation to cash at bank and other financial institution at variable rates. The Target Company 2 did not use derivative financial instruments to hedge its debt obligations. The Target Company 2 manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Cash at bank and other financial institution are carried at low interest rates and the interest income thereon is not significant.

(d) Currency risk

The Target Company 2 currently does not have a foreign currency hedging policy. However, the directors monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. At 31 December 2021 and 2022, there is minimal exposure to currency risk by the Target Company 2 as substantially all financial assets and all financial liabilities recognised are denominated in the functional currency of the Target Company 2.

(e) Equity price risk

The Target Company 2 is exposed to equity price changes arising from financial assets measured at FVTPL.

The Target Company 2 is exposed to equity price risk through its investments in listed equity securities, debt instruments and exchange traded funds as disclosed in Note 15 to the Historical Financial Information. Decisions to buy or sell listed equity securities, debt instruments and exchange traded funds are based on daily monitoring of the performance of individual securities, debt instruments and exchange traded funds compared to that of the index and other industry indicators, as well as the Target Company 2's liquidity need.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the financial assets measured at FVTPL had been 10% lower/higher, the Target Company 2's profit after tax and retained profit would decrease/increase by approximately RMBNil and RMB2,600,000 for the period from 20 December 2021 (date of establishment) to 31 December 2021, and the year ended 31 December 2022 respectively as a result of the changes in fair value of financial assets measured at FVTPL.

The sensitivity analysis indicates the instantaneous change in the Target Company 2's profit after tax (and retained profit) and other components of equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Target Company 2 which expose the Target Company 2 to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Target Company 2's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for the Relevant Periods.

(f) Fair value measurement

Financial assets measured at FVTPL

The following table presents the fair value of the Target Company 2's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three level fair value hierarchy as defined in HKFRS 13, "*Fair value measurement*". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurement categorised into	Fair value at 31 December	
		2021	**2022**
		RMB'000	*RMB'000*
Recurring fair value measurements			
Asset			
Financial assets measured at FVTPL	Level 1	–	26,001

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Target Company 2's policy is to recognise transfers between Levels of fair value hierarchy as at the end of the reporting period in which they occur.

Fair value of financial instruments carried at other than fair value

The carrying amounts of the Target Company 2's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2021 and 2022.

21. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Target Company 2 had no other transaction with related party during the Relevant Periods.

22. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the Historical Financial Information, there has been no significant event occurred after the end of the reporting period.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company 2 have been prepared in respect of any period subsequent to 31 December 2022.

REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

A. Independent Reporting Accountants' Assurance Report on the Compilation of Unaudited Pro Forma Financial Information

Crowe

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

To the directors of Sino-Life Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sino-Life Group 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 assets and liabilities as at 31 December 2022 and related notes as set out on pages III-5 to III-10 of Appendix III to the circular issued by the Company dated 23 June 2023 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-5 to III-10 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisitions of (i) 20.25% equity interest in Zhongke Zhenhui (Guangdong) Medical Technology Company Limited; and (ii) 21.43% equity interest in Guangdong Zhenyuan Investment Company Limited (collectively referred to as the "**Acquisitions**"), on the Group's financial position as at 31 December 2022 as if the Acquisitions had taken place at 31 December 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2022, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "**GEM 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 behavior.

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" issued by HKICPA, which requires the 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 Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction on 31 December 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 unaudited pro forma adjustments give appropriate effect to those criteria; and

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

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

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 23 June 2023

Chan Wing Fai
Practising Certificate Number P07327

B. Basis of Preparation of the Unaudited Pro Forma Financial Information of the Post-Acquisition Group

In connection with the proposed major and connected transactions in relation to the proposed acquisitions of (i) 20.25% equity interest in Zhongke Zhenhui (Guangdong) Medical Technology Company Limited ("**Target Company 1**"); and (ii) 21.43% equity interest in Guangdong Zhenyuan Investment Company Limited ("**Target Company 2**") (collectively referred to as the "**Acquisitions**") by Sino-Life Group Limited (the "**Company**") and its subsidiaries (the "**Group**"), the unaudited pro forma financial information is prepared to provide information on the Group as a result of the completion of the Acquisitions (the "**Post-Acquisition Group**") on the basis of notes set out below for illustrating the effect of the Acquisition, as if the Acquisitions had taken place on 31 December 2022 for the preparation of the unaudited pro forma consolidated statement of assets and liabilities.

The unaudited pro forma consolidated statement of assets and liabilities of the Post-Acquisition Group is prepared based on (i) the information on the audited consolidated statement of financial position of the Group as at 31 December 2022 which has been extracted from the published annual report of the Group for the year ended 31 December 2022; (ii) the audited statement of financial position of the Target Company 1 as at 31 December 2022 as extracted from the Accountants's Report set out in Appendix IIA to this Circular; and (iii) the audited statement of financial position of the Target Company 2 as at 31 December 2022 as extracted from the Accountants's Report set out in Appendix IIB to this Circular, after making pro forma adjustments to the Acquisitions, as if the Acquisitions had completed on 31 December 2022.

The unaudited pro forma consolidated statement of assets and liabilities of the Post-Acquisition Group has been prepared by the Directors of the Company in accordance with paragraph 7.31 of the GEM Listing Rules and is solely for the purpose to illustrate the financial position of the Post-Acquisition Group as if the Acquisitions had taken place on 31 December 2022.

The unaudited pro forma consolidated statement of assets and liabilities of the Post-Acquisition 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 Acquisitions; and (ii) factually supportable.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the financial position of the Post-Acquisition Group would have been upon completion of the Acquisitions in any future periods or on any future dates.

Accordingly, it does not purport to describe the financial position of the Post-Acquisition Group that would have been attained had the Acquisitions been completed on 31 December 2022, nor to predict the future financial position of the Post-Acquisition Group.

C. Unaudited Pro Forma Financial Information

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Post-Acquisition Group

		Pro forma adjustments			
	The Group as at 31 December 2022 *(Note 1)* *RMB'000*	Acquisition of 20.25% of equity interest in the Target Company 1 *(Note 2)* *RMB'000*	Acquisition of 21.43% of equity interest in the Target Company 2 *(Note 3)* *RMB'000*	Transaction costs under the Acquisitions *(Note 4)* *RMB'000*	Unaudited pro forma for the Post-Acquisition Group *RMB'000*
Non-current assets					
Property, plant and equipment	31,588				31,588
Right-of-use assets	22,918				22,918
Investment properties	6,132				6,132
Intangible assets	1,158				1,158
Interests in associates	–				–
Goodwill	–				–
Other receivables and deposits paid	915				915
Deposits for hire of funeral parlours and funeral services centres	1,000				1,000
	63,711				63,711
Current assets					
Financial assets measured at fair value through profit or loss	58,777				58,777
Development and formation costs	4,657				4,657
Inventories	1,617				1,617
Trade and other receivables and deposits paid	34,201				34,201
Income tax receivable	14				14
Time deposits with original maturity over three months	9,334				9,334
Cash and cash equivalents	112,477			(669)	111,808
	221,077				220,408
Current liabilities					
Trade and other payables and deposits received	12,971				12,971
Contract liabilities	89,660				89,660
Lease liabilities	4,757				4,757
Bank borrowings	1,198				1,198
Income tax liabilities	5,056				5,056
Amounts due to directors	2,756				2,756
Amount due to a shareholder	10,325				10,325
Provisions	1,380				1,380
	128,103				128,103

		Pro forma adjustments			
	The Group as at 31 December 2022	Acquisition of 20.25% of equity interest in the Target Company 1	Acquisition of 21.43% of equity interest in the Target Company 2	Transaction costs under the Acquisitions	Unaudited pro forma for the Post-Acquisition Group
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net current assets	92,974				92,305
Total assets less current liabilities	156,685				156,016
Non-current liabilities					
Contract liabilities	456				456
Other payables and deposits received	1,135				1,135
Amount due to a shareholder	2,330				2,330
Lease liabilities	18,357				18,357
Bank borrowings	3,590				3,590
Financial liabilities measured at fair value through profit or loss	–	21,061			21,061
	25,868				46,929
Net assets	130,817				109,087
Equity					
Share capital	69,218		12,500		81,718
Share premium	220,633		2,500		223,133
Reserves other than share premium	(176,633)	(5,068)	114	(669)	(182,256)
Equity attributable to owners of the Company	113,218				122,595
Non-controlling interests	17,599	(15,993)	(15,114)		(13,508)
Total equity	130,817				109,087

Notes:

(1) The amounts are extracted from the published annual report of the Group for the year ended 31 December 2022.

(2) On 26 April 2023, the Company, an indirect wholly-owned subsidiary of the Company (the "**Purchaser**") and Nanyue CB (as defined in the Circular) entered into the SPA I (as defined in the Circular) in relation to the acquisition of 20.25% equity interest in the Target Company 1, pursuant to which the Purchaser has conditionally agreed to acquire and Nanyue CB has conditionally agreed to sell 20.25% equity interest in the Target Company 1 at an aggregate consideration of RMB15,930,000.

The adjustment represents the impact of acquisition of the 20.25% equity interest in the Target Company 1 by the Group at the pro forma purchase consideration of RMB15,930,000, as if the acquisition had taken place on 31 December 2022, which shall be satisfied by way of issue of the convertible bonds in the principal amount of HK$18,160,000 (or equivalent to approximately RMB16,098,000) by the Company to Nanyue CB or its nominee(s).

The following table summarises the fair value of convertible bonds, and the changes of non-controlling interest and other reserve recognised as if the acquisition of 20.25% equity interest in the Target Company 1 had taken place at 31 December 2022:

	RMB'000	*RMB'000*
Fair value of convertible bonds to be transferred:*		21,061
Less: Decrease on non-controlling interest upon the completion of the Acquisitions in consolidation level of Target Company 1		
– Non-controlling interest (in deficit) upon the completion of the acquisition	(180)	
– Non-controlling interest (in surplus) immediately prior to the completion of the acquisition	30,927	
	(31,107)	
Add: Decrease on non-controlling interest upon the completion of the acquisition of 21.43% equity interest in the Target Company 2 *(see Note 3 below)*	15,114	
Decrease on non-controlling interests upon the completion of the acquisition of 20.25% equity interest in Target Company 1		(15,993)
Deficit to be recognised in "Other Reserve" of the Group[#]		5,068

* With reference to a professional valuation conducted by APAC Asset Valuation and Consulting Limited, and for the purpose of preparing the unaudited pro forma consolidated statement of assets and liabilities, the Directors estimated that the fair value of the convertible bonds as at 31 December 2022 is approximately RMB21,061,000. The fair value of the convertible bonds is estimated by using binomial option pricing model.

Key parameters used in the binomial option pricing model include:

Closing market price of the Company's share on 31 December 2022	HK$0.164
Discount rate	10%
Expected volatility	72%
Dividend yield	0%
Risk-free rate	3.64%

For the purpose of preparing the unaudited pro forma financial information, the convertible bonds are designated at fair value through profit or loss and both the debt component and derivative components of the convertible bonds are recognised at fair value. Transaction costs relating to the issue of the convertible bonds are charged to profit or loss immediately.

\# Prior to the completion of the acquisition, the Target Company 1 is an indirect non-wholly subsidiary of the Company. As a result, there is no change of control over the Target Company 1 by the Group. Adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interest, but no adjustments are made to goodwill.

(3) On 26 April 2023, the Company, the Purchaser and Shenzhen Huaxin (as defined in the Circular) entered into the SPA II (as defined in the Circular) in relation to the acquisition of 21.43% equity interest in the Target Company 2, pursuant to which the Purchaser has conditionally agreed to acquire and Shenzhen Huaxin has conditionally agreed to sell 21.43% equity interest in the Target Company 2 at an aggregate consideration of RMB15,000,000.

The adjustment represents the impact of acquisition of the 21.43% equity interest in the Target Company 2 by the Group at the pro forma purchase consideration of RMB15,000,000, as if the acquisition had taken place on 31 December 2022, which shall be satisfied by way of issue of 142,500,000 shares of the Company at HK$0.12 per share to Shenzhen Huaxin or its nominee(s).

The following table summarises the fair value of consideration, and the changes of non-controlling interest and other reserve recognised as if the acquisition of 21.43% equity interest in the Target Company 2 had taken place at 31 December 2022:

	RMB'000	*RMB'000*
Fair value of consideration to be transferred:		
142,500,000 shares of the Company representing		
– Share capital		12,500
– Share premium		2,500
		15,000
Less: Decrease on non-controlling interest upon the completion of the acquisition of 21.43% equity interest in the Target Company 2		
– Non-controlling interest (in surplus) upon the completion of the acquisition	115	
– Non-controlling interest (in surplus) immediately prior to the completion of the acquisition	15,229	
		(15,114)
Surplus to be recognised in "Other Reserve" of the Group#		(114)

\# Prior to the completion of the acquisition, the Target Company 2 is an indirect non-wholly subsidiary of the Company. As a result, there is no change of control over the Target Company 2 by the Group. Adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interest, but no adjustments are made to goodwill.

(4) The adjustments represents the total estimated transaction costs of approximately RMB669,000, which summarised as below, that shall be recognised in profit or loss.

	RMB'000
Lego Corporate Finance Limited	200
Crowe (HK) CPA Limited	280
Octal Capital Limited	130
APAC Asset Valuation and Consulting Limited	14
Fairbairn Catley Lon & Kong	45
Total	669

Set out below is the respective management discussion and analysis on Zhongke Zhenhui for the period from 19 May 2020 to 31 December 2020, and the years ended 31 December 2021 and 2022 (the "**ZZ Track Record Period**"), and Guangdong Zhenyuan for the period from 20 December 2021 to 31 December 2021 and the year ended 31 December 2022 (the "**GZ Track Record Period**"). The following financial information is based on the audited financial information of Zhongke Zhenhui and Guangdong Zhenyuan as set out in Appendices IIA and IIB, respectively to this circular.

BUSINESS AND FINANCIAL REVIEW OF ZHONGKE ZHENHUI

Revenue

There was no revenue recorded during the ZZ Track Record Period because it did not engage in any business operation during the period.

Fair value gain/(loss) on financial assets measured at FVTPL

Zhongke Zhenhui recorded fair value gain/(loss) on financial assets measured at FVTPL of nil, approximately RMB471,000 and RMB(225,000) for period from 19 May 2020 to 31 December 2020, and the years ended 31 December 2021 and 2022, respectively. The financial assets measured at FVTPL represented Zhongke Zhenhui's investment in equity securities listed outside Hong Kong.

(Loss)/Profit for the period/year

For the period from 19 May 2020 to 31 December 2020, and the years ended 31 December 2021 and 2022, Zhongke Zhenhui recorded a net loss of approximately RMB(518,000), RMB(636,000) and RMB(877,000), respectively.

For the period from 19 May 2020 to 31 December 2020 and the year ended 31 December 2022, the net loss was mainly due to fair value loss on financial assets measured at FVTPL and the incurrence of administrative expenses.

For the year ended 31 December 2021, the net loss was mainly a result of fair value gain on financial assets measured at FVTPL of approximately RMB471,000, and partially offset by (i) administrative expenses of approximately RMB235,000; (ii) a loss of approximately RMB187,000 on disposal of a subsidiary; and (iii) an impairment loss recognised under expected credit loss model on amount due from a fellow subsidiary, namely Zhongke Zhenhui Biotechnology (Guangdong) Company Limited ("**Zhongke Zhenhui**") of approximately RMB700,000.

On 2 July 2021, as Zhongke Zhenhui were unable to reach consensus with the other shareholders on the business development of Zhongke Kangyuan, Zhongke Zhenhui disposed of its entire 51% equity interest in Zhongke Kangyuan (Guangzhou) Biotechnology Company Limited ("**Zhongke Kangyuan**") to the non-controlling shareholder of Zhongke Kangyuan at a consideration of approximately RMB833,000. The consideration was determined based on the then net asset value of Zhongke Kangyuan of approximately RMB1.7 million. Zhongke Zhenhui recognised a loss on disposal of a subsidiary of approximately RMB187,000 in the statement of profit or loss and other comprehensive income during the year ended 31 December 2021.

Zhongke Kangyuan was established in the PRC on 16 April 2021 with limited liability and was inactive during the year ended 31 December 2021.

Zhongke Zhenhui recognised impairment losses on (i) amount due from Zhongke Zhenqi of RMB700,000 for during the year ended 31 December 2021 which represented an advance in 2021 to Zhongke Zhenqi in the Group by Zhongke Zhenhui for the normal operation of that fellow subsidiary; and (ii) other receivables and deposits of RMB3,000 and RMB37,000 during the years ended 31 December 2021 and 2022 respectively, which mainly composed of rental deposits.

Zhongke Zhenhui performed an impairment review under expected credit loss model as specified under Hong Kong Financial Reporting Standard 9 "Financial Instruments" on amount due from a fellow subsidiary, other receivables and deposits at the end of each reporting period by considering certain historical data and forward-looking data, including but not limited to the credit rating of the debtor, the financial position of the fellow subsidiary, the availability of liquid assets of the fellow subsidiary; the downscale operation of the fellow subsidiary due to the prolonged adverse impact and uncertainties of COVID-19 pandemic in the PRC subsequent to the advance made by Zhongke Zhenhui, etc. Consequently, Zhongke Zhenhui recognised impairment losses on amount due from a fellow subsidiary of RMB700,000 and other receivables and deposits paid of RMB3,000 during the year ended 31 December 2021, an impairment loss on other receivables and deposits paid of RMB37,000 during the year ended 31 December 2022, and no reversal of impairment loss on amount due from a fellow subsidiary during the year ended 31 December 2022.

The amount due from a fellow subsidiary was eliminated at the consolidated financial statements of the Group, and therefore the above-mentioned impairment loss on amount due from a fellow subsidiary did not have any financial impact to the Group's consolidated financial statements during the year ended 31 December 2021.

Liquidity, financial resources and capital structure

Zhongke Zhenhui's net asset value was approximately RMB0.4 million, RMB4.5 million, and RMB15.1 million as at 31 December 2020, 2021 and 2022, respectively. The increase in net asset value was mainly due to the increase in paid-up capital. As at 31 December 2020, 2021 and 2022, Zhongke Zhenhui had cash and cash equivalents of approximately RMB363,000, RMB427,000 and RMB65,000, respectively.

As at 31 December 2020, 2021 and 2022, Zhongke Zhenhui had no bank borrowings.

Significant investment, material acquisition and disposals of subsidiaries and associated companies

Zhongke Zhenhui entered into a joint venture agreement with Shenzhen Huaxin to establish the joint venture company, Guangdong Zhenyuan.

Save as aforesaid, Zhongke Zhenhui did not have any significant investment, material acquisition or disposal of subsidiaries and associated companies during the Track Record Period.

Commitments

Zhongke Zhenhui shall contribute capital of approximately RMB24.3 million in Guangdong Zhenyuan before 30 June 2023.

Save as disclosed above, Zhongke Zhenhui does not have any material capital commitments during the Track Record Period.

Pledge of assets

As at 31 March 2023, Zhongke Zhenhui did not pledge any of its assets.

Employees and remuneration policy

For the year ended 31 December 2022, Zhongke Zhenhui had eight employees (including the sole director of Zhongke Zhenhui with staff costs amounted to approximately RMB417,000).

Zhongke Zhenhui recruits, employs and promotes its employees and makes remuneration payments to them in accordance with the employees' qualifications, experience, skills, performance and contributions. Zhongke Zhenhui provides employees with on-the-job training and market competitive remuneration, including salaries and bonus. No emoluments were paid or payable by Zhongke Zhenhui to any of the employees as an inducement to join or upon joining the Zhongke Zhenhui or as compensation for loss of office.

For the period from 19 May 2020 to 31 December 2020, and the years ended 31 December 2021 and 2022, Zhongke Zhenhui recorded employees' remuneration of approximately RMB200,000, RMB175,000 and RMB417,000, respectively.

Funding and treasury policy

Zhongke Zhenhui primarily finances its operation from internal funding. Zhongke Zhenhui adopts a prudent funding and treasury policy towards its overall business operation with an aim to minimize financial risks, by ensuring sufficiency of liquidity and fulfilment of financing requirements within acceptable financing costs.

Future plans for material investments and acquisition of capital assets

Zhongke Zhenhui will focus in investing in biotechnology industries, including but not limited to, biomedicine, medical health, life science instrument, etc., as well as those emerging industries which could create synergy effect to the Group's biotechnology business. It is intended that, subject to the source of the potential project, investment size of the potential project, available funding of Zhongke Zhenhui and the intention of Nanyue CB, it is intended that Zhongke Zhenhui will mainly focus on investing in matured projects from internal funding which are already in commercialisation, and revenue-generating and profit-making.

Gearing ratio

The gearing ratio is calculated as total external borrowings divided shareholders' fund. As at 31 December 2020, 2021 and 2022, Zhongke Zhenhui had no external borrowings, hence it is not meaningful to present the gearing ratio.

Foreign exchange risks

The business of Zhongke Zhenhui is primarily located in China and the main assets and liabilities of Zhongke Zhenhui were denominated in Renminbi. Therefore, Zhongke Zhenhui was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

Charges on assets and contingent liabilities

As at 31 December 2020, 2021 and 2022, Zhongke Zhenhui did not have any charges on assets, contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against Zhongke Zhenhui.

Borrowings

As at 31 December 2020, 2021 and 2022, Zhongke Zhenhui had no committed borrowing facilities.

BUSINESS AND FINANCIAL REVIEW OF GUANGDONG ZHENYUAN

Revenue

There was no revenue recorded during the GZ Track Record Period because it did not engage in any business operation during the period.

Fair value gain on financial assets measured at FVTPL

Guangdong Zhenyuan commenced its securities trading operations in the year ended 31 December 2022 and recorded fair value gain on financial assets measured at FVTPL of approximately RMB1,149,000. The financial assets measured at FVTPL represented Guangdong Zhenyuan's investment in equity securities, debt instruments and exchange traded funds listed outside Hong Kong.

Profit for the period/year

For of the year ended 31 December 2022, the net profit mainly comprised of fair value gain on financial assets measured at FVTPL of approximately RMB1,149,000, which was partially offset by administrative expense of approximately RMB633,000.

Liquidity, financial resources and capital structure

Guangdong Zhenyuan's net assets was nil and approximately RMB30.5 million as at 31 December 2021 and 2022, respectively. As at 31 December 2021 and 2022, Guangdong Zhenyuan had cash and cash equivalents of nil and approximately RMB4.6 million, respectively.

As at 31 December 2021 and 2022, Guangdong Zhenyuan had no bank borrowings.

Significant investment, material acquisition and disposals of subsidiaries and associated companies

Guangdong Zhenyuan did not have any significant investment, material acquisition or disposal of subsidiaries and associated companies during the Track Record Period.

Commitments

Guangdong Zhenyuan does not have any material capital commitments during the Track Record Period.

Pledge of assets

As at 31 March 2023, Guangdong Zhenyuan did not pledge any of its assets.

Employees and remuneration policy

For the year ended 31 December 2022, Guangdong Zhenyuan had thirteen employees (including three directors of Guangdong Zhenyuan with staff costs amounted to approximately RMB343,000).

Guangdong Zhenyuan recruits, employs and promotes its employees and makes remuneration payments to them in accordance with the employees' qualifications, experience, skills, performance and contributions. Guangdong Zhenyuan provides employees with on-the-job training and market competitive remuneration, including salaries and bonus. No emoluments were paid or payable by Guangdong Zhenyuan to any of the employees as an inducement to join or upon joining the Guangdong Zhenyuan or as compensation for loss of office.

For the year ended 31 December 2022, Guangdong Zhenyuan recorded employees' remuneration of approximately RMB343,000.

Funding and treasury policy

Guangdong Zhenyuan primarily finances its operation from internal funding. Guangdong Zhenyuan adopts a prudent funding and treasury policy towards its overall business operation with an aim to minimize financial risks, by ensuring sufficiency of liquidity and fulfilment of financing requirements within acceptable financing costs.

Future plans for material investments and acquisition of capital assets

Guangdong Zhenyuan will focus in investing in biotechnology industries, including but not limited to, biomedicine, medical health, life science instrument, etc., as well as those emerging industries which could create synergy effect to the Group's biotechnology business. It is intended that, subject to the source of the potential project, investment size of the potential project, available funding of Guangdong Zhenyuan and the intention of Shenzhen Huaxin, it is intended that Guangdong Zhenyuan will mainly focus on investing in startup companies and small businesses from internal funding that are believed to have long-term growth potential.

Gearing ratio

The gearing ratio is calculated as total external borrowings divided shareholders' fund. As at 31 December 2021 and 2022, Guangdong Zhenyuan had no external borrowings, hence it is not meaningful to present the gearing ratio.

Foreign exchange risks

The business of Guangdong Zhenyuan is primarily located in China and the main assets and liabilities of Guangdong Zhenyuan were denominated in Renminbi. Therefore, Guangdong Zhenyuan was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

Charges on assets and Contingent liabilities

As at 31 December 2021 and 2022, Guangdong Zhenyuan did not have any charges on assets, contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against Guangdong Zhenyuan.

Borrowings

As at 31 December 2021 and 2022, Guangdong Zhenyuan had no committed borrowing facilities.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
10,000,000,000	Existing Shares of HK$0.1 each	1,000,000,000
Issued and fully paid or credited as fully paid:		*HK$*
742,500,000	Existing Shares of HK$0.1 each	74,250,000

Immediately upon the allotment and issue of the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Conversion Shares):

Authorised:		*HK$*
10,000,000,000	Existing Shares of HK$0.1 each	1,000,000,000
Issued and fully paid or credited as fully paid:		*HK$*
742,500,000	Existing Shares of HK$0.1 each	74,250,000.0
144,126,984	Number of Conversion Shares to be issued	14,412,698.4
886,626,984		88,662,698.4

Immediately upon the allotment and issue of the Consideration Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares):

Authorised:		*HK$*
10,000,000,000	Existing Shares of HK$0.1 each	1,000,000,000
Issued and fully paid or credited as fully paid:		*HK$*
742,500,000	Existing Shares of HK$0.1 each	74,250,000
142,500,000	Number of Consideration Shares to be issued	14,250,000
885,000,000		88,500,000

Immediately upon the allotment and issue of the Consideration Shares and the Conversion Shares (assuming there will be no changes in the share capital of the Company other than the issue of the Consideration Shares and the Conversion Shares):

Authorised:		*HK$*
10,000,000,000	Existing Shares of HK$0.1 each	1,000,000,000
Issued and fully paid or credited as fully paid:		*HK$*
742,500,000	Existing Shares of HK$0.1 each	74,250,000.0
142,500,000	Number of Consideration Shares to be issued	14,250,000.0
144,126,984	Number of Conversion Shares to be issued	14,412,698.4
1,029,126,984		102,912,698.4

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares. The Consideration Shares and the Conversion Shares to be allotted and issued shall rank *pari passu* among themselves and with all the Shares in issue as at the date of such issue.

Subject to the granting of the approval of listing of, and permission to deal in, the Conversion Shares and the Consideration Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Conversion Shares and the Consideration Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Conversion Shares and the Consideration Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

3. DISCLOSURE OF INTERESTS

a. Director's and chief executive's interests in the Shares and underlying shares of the Company

As at the Latest Practicable Date, the interests and short positions held by the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are 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 position which they are taken or deemed to have taken under such provisions of the SFO), or which are required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Shareholder	Capacity	Number of Shares or underlying Shares held	Approximate percentage of total issued share capital
Mr. Xu Jianchun *(Chairman and executive Director)*	Interests of controlled corporation *(Note 2)*	220,475,000	29.69%
Dr. XU Qiang *(Chief executive officer and executive Director)*	Personal interest *(Note 3)*	3,712,000	0.50%

Notes:

1. All interests disclosed above represent long positions in the Shares/underlying shares of the Company.

2. Mr. Xu is interested in 220,475,000 Shares through his controlling interests in Hong Kong Gaoqi Biological Technology Company Limited ("**HK Gaoqi**"). Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interests and 9.78% through Houp Bio-Technology Limited ("**HBT Limited**"), a company incorporated in the British Virgin Islands. HBT Limited has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders' meeting respectively, and Mr. Xu holds 94.07% class A interests in HBT Limited and his spouse holds 5.93% class A interests and 10.74% class B interests in HBT Limited, which collectively representing 86.78% of the total voting rights of HBT Limited, and in turn is interested in 9.78% of HK Gaoqi. Ms. Qiu Qi (邱琪) is the spouse of Mr. Xu and by virtue of the SFO, Mr. Xu is taken to be interested in all the shares held by Ms. Qiu Qi. Accordingly, Mr. Xu is deemed to be interested in all the Shares held by HK Gaoqi by virtue of SFO.

3. These Shares represent the share options granted by the Company under the share option scheme of the Company on 19 May 2022.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be 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 position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

b. Substantial shareholders' and other persons' interests in the Shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following Shareholders other than a Director or chief executive of the Company had an interest or short position in the shares and underlying shares of the Company, (a) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) who was, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities.

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of total issued share capital
Hong Kong Gaoqi Biological Technology Company Limited	Beneficial owner *(Note 2)*	220,475,000	29.69%
Ms. Qiu Qi	Interests of controlled corporation *(Note 3)*	220,475,000	29.69%

Notes:

1. All interests disclosed above represent long positions in the Shares/underlying shares of the Company.

2. Mr. Xu is the director of HK Gaoqi, which holds 29.69% Shares, and the director of HBT Limited, which holds 9.78% of equity interests in HK Gaoqi. Mr. Xu is interested in HK Gaoqi through his 25.55% direct beneficial interests and 9.78% through HBT Limited. HBT Limited has two classes of shares, namely class A and class B, in which shareholders of class A and class B have 30 votes and 1 vote per share in the shareholders' meeting respectively, and Mr. Xu holds 94.07% class A interests in HBT Limited and his spouse holds 5.93% class A interests and 10.74% class B interests in HBT Limited, which collectively representing 86.78% of the total voting rights of the HBT Limited, and in turn is interested in 9.78% of HK Gaoqi.

3. By virtue of the SFO, Ms. Qiu Qi, the spouse of Mr. Xu, is taken to be interested in all the shares held by Mr. Xu.

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Post-Acquisition Group which is not expiring or determinable by the Post-Acquisition Group within one year without compensation (other than statutory compensation).

5. COMPETING INTERESTS

The interests of the Directors in competing businesses that were required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules as informed by the relevant Director are as follows:

The Group through Guangdong Zhenyuan and Zhongke Zhenhui engages in investment activities. Further, based on their respective scope of business under their business registration licences, Guangdong Zhenyuan may engage in corporate management consultation and Zhongke Zhenhui may engage in consultation services and business management consultation. Nanyue AM is mainly engaged in asset management, investment management, equity investment and investment consulting services through its private equity funds. Mr. Xu is a director of Nanyue AM and, together with his associates, ultimately owned approximately 71.25% equity interests of Nanyue AM, therefore, Mr. Xu may be regarded as being interested in the competing business with the business of the Group.

As the Company's management and administrative structure are independent to that of Nanyue AM, and coupled with the diligence of the independent non-executive Directors and the audit committee of the Company, the Group is capable of carrying its businesses independently on an arm's length basis.

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save for the capital increase agreement (the "**Capital Increase Agreement**") dated 13 September 2021, none of the Directors and their respective associates was, directly or indirectly, materially interested in any contract or arrangement which was significant in relation to the business of the Group. For details of the Capital Increase Agreement, please refer to the announcements of the Company dated 13 September 2021 and 22 November 2021, and the circular of the Company dated 29 October 2021.

7. LITIGATION

As at the Latest Practicable Date, no member of the Post-Acquisition Group was engaged in any litigation or claim of material importance and, to the Directors' best knowledge, there was no litigation or claim of material importance pending or threatened by or against any member of the Post-Acquisition Group.

8. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, the following material contracts which are not being contract in the ordinary course of business, have been entered into by the Post-Acquisition Group:

(a) the capital increase agreement dated 13 September 2021 entered into between Zhongke Xunda, Nanyue CB and Zhongke Zhenhui to increase the registered capital of Zhongke Zhenhui from RMB10 million to RMB80 million;

(b) the joint venture agreement in relation to formation of Guangdong Zhenyuan with a registered capital of RMB70 million dated 13 September 2021 entered into between Zhongke Zhenhui and Shenzhen Huaxin in relation to the formation of Guangdong Zhenyuan;

(c) the SPA I; and

(d) the SPA II.

9. EXPERTS AND CONSENTS

The following is the qualifications of the expert who has given opinion, letter or advice contained in this circular:

Name	Qualifications
Octal Capital	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Crowe (HK) CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts did not have any interest in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been since the date to which the latest published audited financial statements of the Group were made up (i.e. 31 December 2022), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by any member of the Group.

Each of the above experts had given and had not withdrawn its written consent to the issue of this circular, with the inclusion herein of its letter of advice and references to its name and/or its advice in the form and context in which they are included.

10. AUDIT COMMITTEE

The audit committee of the Company comprised Mr. Chai Chung Wai, Dr. Yang Jingjing and Ms. Hu Zhaohui.

Mr. Chai Chung Wai, aged 56, was appointed on 16 February 2009. Mr. Chai obtained his master degree of Accounting from Jinan University on 6 January 2004 and of business administration from the University of Manchester in December 2006. Mr. Chai is a fellow member of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of The Hong Kong Institute of Directors. Mr. Chai has extensive experience of over 20 years in the accounting and financial field. Mr. Chai has been the company secretary of Ping Shan Tea Group Limited. He was an independent non-executive director of Sino Energy International Holdings Group Limited (a company formerly listed in Hong Kong, stock code: 1096 and cancelled listing on 15 December 2022) from February 2019 to August 2022. Mr. Chai was an independent non-executive director of Asia Coal Limited (a company formerly listed in Hong Kong, stock code: 835, and cancelled listing on 18 June 2019) from September 2018 to June 2019.

Dr. Yang Jingjing, aged 40, was appointed on 4 March 2022. He obtained a master's degree in finance from University of Technology Sydney in Australia and a doctorate degree in finance from Massey University in New Zealand. He worked as a visiting researcher at City University of Hong Kong. He is a professor, doctoral tutor, and deputy dean of the School of Finance, Guangdong University of Foreign Studies, and has been selected as a high-level financial specialist in Guangzhou. Currently, he is mainly engaged in teaching and scientific research in corporate finance and corporate governance.

Ms. Hu Zhaohui, aged 55, graduated from Yangtze University (formerly known as Jianghan Petroleum Institute（江漢石油學院）) in the PRC in 1986 and obtained a bachelor's degree in engineering in 1990 with a major in geophysics, and graduated from Huazhong University of Science and Technology in the PRC in 1998 and obtained a master's degree in engineering in 2002 with a major in mechanical engineering. She also graduated from Wuhan University in the PRC in 2000 and obtained a master's degree in finance in 2003. She was an engineer of Jianghan Machinery Research Institute of China National Petroleum Corporation. She served as a teacher, deputy director of the Department of Finance and an associate professor of Guangdong University of Finance. She also served as the deputy director of the postgraduate division of Guangdong University of Finance. She also served as the director of the Teaching Quality Monitoring and Evaluation Center of Guangdong University of Finance.

The major responsibilities of the audit committee include, among others, the followings:

(a) making recommendation to the Board on the appointment, re-appointment and removal of external auditor of the Company (the "**External Auditor**");

(b) reviewing and monitoring the External Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard;

(c) reviewing the policy on engaging the External Auditor in the provision of non-audit services;

(d) monitoring the integrity of the Group's consolidated financial statements, annual reports and accounts, half-yearly reports and quarterly reports;

(e) liaising with the Board and the senior management and to meet with the External Auditor;

(f) overviewing the Group's financial controls, internal control and risk management systems; and

(g) reviewing the financial and accounting policies and practices of the Group.

11. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Chu Kin Ming. Mr. Chu Kin Ming is a fellow member of the Association of Chartered Certified Accountants. He is also a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

(b) The compliance officer of the Company is Mr. Liu Tien-Tsai.

(c) The registered office of the Company is The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.

(d) The registered office of the Company in Hong Kong is 18/F, Ovest, 77 Wing Lok Street, Sheung Wan, Hong Kong.

(e) The English version of this circular shall prevail over the Chinese version in case of any discrepancies between the two versions.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the website of the Company (www.sinolifegroup.com) and on the website of the Stock Exchange (www.hkexnews.hk) from the date of this circular up to and including the date of EGM:

(a) the SPA I;

(b) the SPA II;

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

(d) the letter from the Independent Board Committee as set out in this circular;

(e) the letter from the Independent Financial Adviser as set out in this circular;

(f) the accountant's report of Zhongke Zhenhui as set out in Appendix IIA to this circular;

(g) the accountant's report of Guangdong Zhenyuan as set out in Appendix IIB to this circular;

(h) the report of the unaudited pro forma financial information of the Post-Acquisition Group as set out in Appendix III to this circular;

(i) the written consent from the Independent Financial Adviser referred to in the paragraph headed ‘‘Experts and Consents’’ in this appendix;

(j) a copy of each contract set out in the paragraph headed "8. Material Contracts" in this appendix; and

(k) this circular.

SINO-LIFE GROUP LIMITED
中國生命集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8296)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Sino-Life Group Limited (the "**Company**") will be held at 3:00 p.m. on 12 July 2023 at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong for considering and if thought fit, to approve the following resolutions, with or without amendments, as ordinary resolutions of the Company. Capitalised terms used herein without definition have the same meanings as in the circular issued by the Company on 23 June 2023 (the "**Circular**"), unless the context otherwise requires:

ORDINARY RESOLUTIONS

1. "**THAT**:

   a. subject to the fulfillment of the terms and conditions set out in the SPA I, a copy of which has been produced to the EGM and initialled by the chairman of the Meeting (the "**Chairman**") for identification purpose) entered into between the Company, Zhongke Xunda and Nanyue CB in relation to the acquisition of the paid-up capital of Zhongke Zhenhui. which is equivalent to approximately 20.25% of the equity interest in Zhongke Zhenhui at a consideration of RMB15,930,000 (equivalent to HK$18,160,000), which shall be satisfied by way of issue of the Convertible Bonds to Nanyue CB, is hereby approved;

   b. the issue of the Convertible Bonds by the Company to Nanyue CB to settle the consideration payable by the Company under the SPA I in accordance with the terms and conditions of the SPA I and all transactions contemplated be and is hereby approved;

   c. the allotment and issue of a number of 144,126,984 Shares (the "**Conversion Share(s)**") in the share capital of the Company at the initial conversion price of HK$0.126 per Conversion Share which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds to the relevant holder(s) of the Convertible Bonds be and are hereby approved;

d. subject to The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares to be allotted and issued, the Directors be and are hereby granted a specific mandate (the "**Specific Mandate I**") to allot and issue a maximum number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds pursuant to the SPA I (i.e. 144,126,984 Shares). The Specific Mandate I is in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to passing of this resolution; and

e. any of the Director be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents, instruments and agreements (whether under common seal or not) and to take all steps and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the SPA I and the transactions contemplated thereunder as he/she may in his/her absolute discretion consider necessary, desirable or expedient to give effect to the SPA I and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

2. "**THAT**:

a. subject to the fulfillment of the terms and conditions set out in the SPA II, a copy of which has been produced to the EGM and initialled by the Chairman for identification purpose) entered into between the Company, Zhongke Xunda and Shenzhen Huaxin in relation to the acquisition of the paid-up capital of Guangdong Zhenyuan, which is equivalent to approximately 21.43% of the equity interest in Guangdong Zhenyuan at a consideration of RMB15,000,000 (equivalent to HK$17,100,000), which shall be satisfied by way of issue of the Consideration Shares to Shenzhen Huaxin, is hereby approved;

b. the allotment and issue of the Consideration Shares at the issue price of approximately HK$0.12 per Consideration Share by the Company to Shenzhen Huaxin to settle the consideration payable by the Company under the SPA II in accordance with the terms and conditions of the SPA II and all transactions contemplated be and is hereby approved;

c. subject to The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares to be allotted and issued, the Directors be and are hereby granted a specific mandate ("**Specific Mandate II**") to allot and issue the Consideration Shares to be allotted and issued pursuant to the SPA II. The Specific Mandate II is in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to passing of this resolution; and

d. any of the Director be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents, instruments and agreements (whether under common seal or not) and to take all steps and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the SPA II and the transactions contemplated thereunder as he/she may in his/her absolute discretion consider necessary, desirable or expedient to give effect to the SPA II and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

By order of the Board
Sino-Life Group Limited
XU Jianchun
Chairman and Executive Director

Hong Kong, 23 June 2023

Registered office:
The Grand Pavilion Commercial Centre
Oleander Way 802 West Bay Road
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Grand Cayman KY1-1208
Cayman Islands

Registered office in Hong Kong:
18/F, Ovest
77 Wing Lok Street
Sheung Wan, Hong Kong