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

If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser(s) or transferee(s) or to 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(s) or transferee(s).

寶新金融集團有限公司

GLORY SUN FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01282)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANY AND (2) NOTICE OF EGM

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

Gram Capital Limited

嘉林資本有限公司

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

A letter from the Board is set out on pages 7 to 21 in this circular. The letter from Independent Board Committee is set out on pages 22 to 23 in this circular. The letter from Gram Capital is set out on pages 24 to 35 in this circular.

A notice convening the EGM to be held at Units 1908 to 1909, 19/F., Tower 2, Lippo Centre, No.89 Queensway, Hong Kong on Thursday, 19 December 2019 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for 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 if you so wish.

29 November 2019

CONTENTS

EXPECTED TIMETABLE FOR THE ACQUISITIONS AND THE EGM

Despatch of EGM circular and the EGM Notice	Friday, 29 November 2019
Latest time for lodging transfer documents for entitlements to the right to attend and vote at the EGM	4:30 p.m., Friday, 13 December 2019
Book closure of register of member for determining the entitlement of the Shareholders to attend and vote at the EGM	Monday, 16 December 2019 to Thursday, 19 December 2019
Latest time for lodging proxy forms for the EGM	11:00 a.m., Tuesday, 17 December 2019
EGM	11:00 a.m., Thursday, 19 December 2019
Announcement of voting results of the EGM	Thursday, 19 December 2019

Notes:

(1) Shareholders should note that the dates or deadlines specified in the expected timetable for the Acquisition and the EGM as set out above, and in other parts of this circular, are indicative only. In the event any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers it appropriate to do so. The Company will make an announcement to notify Shareholders and the Stock Exchange of any such extension or adjustment to the expected timetable.

(2) For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 16 December 2019 to Thursday, 19 December 2019, both days inclusive, during which period no transfer of shares will be effected and registered. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 13 December 2019.

(3) All times and dates in this circular refer to Hong Kong local times and dates.

In this circular, unless the context otherwise requires, the following words and expressions shall have the meanings ascribed to them below:

"**Acquisition**"	means the acquisition of the entire equity interest in the Target Company by the Purchaser from the Seller pursuant to the terms and conditions of the Amended Sale and Purchase Agreement
"**Amended Sale and Purchase Agreement**"	means the Sale and Purchase Agreement as amended by the Supplemental Agreement
"**Amended Trust Loan Facility Agreement**"	means the trust loan facility agreement dated 26 April 2019 and entered into between Guangxi Baohui as borrower and Ping An as lender (as amended by a supplemental trust loan facility agreement dated 2 September 2019 entered into by them) in respect of a trust loan facility of up to RMB2 billion granted by Ping An to Guangxi Baohui
"**associate(s)**"	has the meaning ascribed to it in the Listing Rules
"**Baohui Property Mortgage**"	the first mortgage given by Guangxi Baohui over certain units in the buildings in the Wuxianghu No. 1 Project to secure the obligations of Guangxi Baohui under the Amended Trust Loan Facility Agreement
"**Baoneng Holding**"	means 寶能控股(中國)有限公司 (Baoneng Holding (China) Co., Limited#), which is in turn indirectly owned as to 20% by Mr. Yao and as to 80% by an associate of Mr. Yao
"**Board**"	means the board of Directors
"**Company**"	Glory Sun Financial Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange (Stock Code: 01282)
"**Completion**"	means completion of the Acquisition pursuant to the terms of the Amended Sale and Purchase Agreement
"**Completion Date**"	means the second business day after the fulfilment (or waiver, where applicable) of all Conditions Precedent or such other time or date as the Purchaser and the Seller may agree in writing
"**Conditions Precedent**"	means the conditions precedent to Completion under the Amended Sale and Purchase Agreement

"**connected person**"	has the meaning ascribed to it in the Listing Rules and "**connected**"shall be construed accordingly
"**Consideration**"	means the consideration for the acquisition of the entire equity interest of the Target Company
"**controlling shareholder(s)**"	has the meaning ascribed to it in the Listing Rules
"**Directors**"	means the directors of the Company
"**EGM**"	means the extraordinary general meeting of the Company (or any adjournment thereof) to be held at Units 1908 to 1909, 19/F, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong on Thursday, 19 December 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Amended Sale and Purchase Agreement and the Transactions
"**Enlarged Group**"	means the Group as enlarged by the Target Group immediately upon Completion
"**Equity Valuation Report**"	means the valuation report of the Target Group prepared by the Independent Valuer, a full text of which is included in Appendix VI to this circular
"**Everbright**"	means 光大興隴信託有限責任公司 (Everbright Xinglong Trust Co., Ltd.#), an Independent Third Party
"**Group**"	means the Company and its subsidiaries
"**GSLG Independent Shareholder(s)**"	means GSLG Shareholder(s) other than Mr. Yao and his associates who have material interest in the Transactions
"**GSLG Share(s)**"	means ordinary share(s) of HK$0.05 each in the share capital of GSLG
"**GSLG Shareholder(s)**"	means holder(s) of GSLG Shares
"**GSLG**"	means Glory Sun Land Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange (Stock Code: 00299) and a subsidiary of the Company
"**Guangxi Baohui**"	means 廣西寶匯置業有限公司 (Guangxi Baohui Property Co., Ltd.#), a wholly-owned subsidiary of the Target Company

"**Guangxi Shengze**"	means 廣西盛澤投資有限公司 (Guangxi Shengze Investment Co., Ltd.#), a wholly-owned subsidiary of the Target Company
"**Guarantee**"	means the joint and several guarantee provided by Shenzhen Baoneng Investments in favour of Ping An in respect of the indebtedness of Guangxi Baohui owed to Ping An under the Amended Trust Loan Facility Agreement
"**HK$**"	means Hong Kong dollars, the lawful currency of Hong Kong
"**Hong Kong**"	means the Hong Kong Special Administrative Region of the People's Republic of China
"**Independent Board Committee**"	means the independent committee of the Board comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Acquisition
"**Independent Financial Adviser**" or "**Gram Capital**"	means Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"**Independent Shareholders**"	means the Shareholders other than Mr. Yao and his associates who have material interest in the Transactions
"**Independent Third Part(ies)**"	means independent third part(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or its associates
"**Independent Valuer**"	Valtech Valuation Advisory Limited, an independent valuer engaged by the Group
"**Jinan Baoneng**"	means 濟南寶能房地產有限公司 (Jinan Baoneng Real Estate Co., Ltd.#), a company incorporated in the PRC and an indirect non-wholly-owned subsidiary of the Seller
"**Latest Practicable Date**"	27 November 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	means 31 March 2020 or such other date as mutually agreed by the Purchaser and the Seller
"Mr. Yao"	means Mr. Yao Jianhui, an executive director, the chairman, the chief executive officer and a controlling shareholder of the Company and an executive director, the chairman and a controlling shareholder of GSLG
"Other Receivables"	means the outstanding amount in the sum of approximately RMB29.98 million (equivalent to approximately HK$33.28 million) owed from members of the Seller Group to members of the Target Group as at the Latest Practicable Date
"Ping An"	means 平安信託有限責任公司 (Ping An Trustee Co., Ltd.#), a company incorporated in the PRC and an Independent Third Party
"Ping An Loan"	means the loan made by Ping An to Guangxi Baohui under the Amended Trust Loan Facility Agreement
"PRC"	means the People's Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Property Mortgage"	means the mortgage given by Guangxi Shengze in favour of Everbright to secure the indebtedness of Jinan Baoneng under the repayment agreement dated 25 May 2019 entered into between Everbright and Jinan Baoneng
"Property Valuation Report"	means the valuation report of properties held by the Target Group prepared by the Independent Valuer, a full text of which is included in Appendix V to this circular
"Purchaser"	means 深圳寶新實業集團有限公司 (Shenzhen Baoxin Industrial Group Limited#), an indirect non-wholly-owned subsidiary of the Company
"RMB"	means Renminbi, the lawful currency of the PRC

"Sale and Purchase Agreement"	means the sale and purchase agreement dated 19 September 2019 entered into between the Purchaser and the Seller in relation to the Acquisition
"Seller"	means 寶能地產股份有限公司 (Baoneng Real Estate Company Limited#), a company effectively owned by Mr. Yao and Mr. Yao Zhenhua, the elder brother of Mr. Yao, as to approximately 98.23%
"Seller Group"	means the Seller and its subsidiaries, but excluding the Target Group
"Share(s)"	means ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	means holder(s) of Shares
"Shenzhen Baoneng Investments"	means 深圳市寶能投資集團有限公司 (Shenzhen Baoneng Investments Group Limited#), a company incorporated in the PRC and wholly-owned by Mr. Yao Zhenhua, the elder brother of Mr. Yao
"sq.m."	means square meters
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the Listing Rules
"Supplemental Agreement"	means the supplemental agreement for the Sale and Purchase Agreement dated 24 October 2019 entered into between the Purchaser and the Seller in relation to the Acquisition
"Target Company"	means 深圳寶能恒創實業有限公司 (Shenzhen Baoneng Hengchuang Industrial Limited#), a wholly-owned subsidiary of the Seller prior to completion of the Acquisition
"Target Group"	means the Target Company and its subsidiaries
"Transactions"	means the transactions contemplated under the Amended Sale and Purchase Agreement (including but not limited to the Acquisition)
"Wuxianghu No. 1 Project"	means Nanning Wuxianghu No. 1 (南寧五象湖1號) project as being developed by Guangxi Baohui

"**Wuxiang GFC Project**"	means Nanning Wuxiang New District Global Financial Centre (南寧五象新區環球金融中心) project as being developed by Guangxi Shengze
"**%**"	means per cent.

For the purpose of this circular, the exchange rate of RMB 1.00 = HK$1.11 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

The English transliteration of the Chinese name(s) in this circular, where indicated with #, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

寶新金融集團有限公司
GLORY SUN FINANCIAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01282)

Executive Directors:
Mr. Yao Jianhui
(Chairman and Chief Executive Officer)
Ms. Ye Weiqing *(Co-chairman)*
Mr. Lau Wan Po *(Vice Chairman)*
Mr. Li Minbin
Mr. Huang Wei

Non-executive Director:
Mr. Zhang Chi

Independent Non-executive Directors:
Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Lee Kwan Hung, Eddie

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Units 1908 to 1909, 19/F., Tower 2
Lippo Centre, No. 89 Queensway
Hong Kong

29 November 2019

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANY AND (2) NOTICE OF EGM

INTRODUCTION

Reference is made to the announcements of the Company dated 19 September 2019 and 24 October 2019 in relation to the Acquisition.

The purpose of this circular is to provide you with, amongst other things, (i) further information on the Acquisition; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) the accountants' report of the Target Group; (v) the Equity Valuation Report; (vi) the Property Valuation Report; (vii) a notice convening the EGM; and (viii) other information as required under the Listing Rules.

THE ACQUISITION

On 19 September 2019, the Purchaser entered into the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement dated 24 October 2019) with the Seller, pursuant to which the Purchase has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the entire equity interest of the Target Company, free from all encumbrances, for a total consideration of RMB300 million (equivalent to approximately HK$333 million).

Principal Terms of the Amended Sale and Purchase Agreement

Date: 19 September 2019 (as supplemented by the Supplemental Agreement dated 24 October 2019)

Parties:
(i) the Purchaser, a non-wholly-owned subsidiary of the Company

(ii) the Seller, a connected person of the Company

Assets to be Acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire equity interest of the Target Company.

Consideration and Payment Terms

The Consideration for the Acquisition payable by the Purchaser to the Seller is RMB300 million (equivalent to approximately HK$333 million) and shall be payable by the following instalments:

(a) RMB80 million (equivalent to approximately HK$88.80 million) on or prior to the 30th day from the Completion Date;

(b) RMB80 million (equivalent to approximately HK$88.80 million) on or prior to the 90th day from the Completion Date;

(c) RMB80 million (equivalent to approximately HK$88.80 million) on or prior to the 120th day from the Completion Date; and

(d) RMB60 million (equivalent to approximately HK$66.60 million) on or prior to the 180th day from the Completion Date.

The Purchaser and Seller acknowledge and agree that the Other Receivables, which represents the outstanding amount of consideration payable by the Seller to Guangxi Shengze for the acquisition of the entire equity interest of three subsidiaries from Guangxi Shengze, shall be offset from the first instalment of the consideration on a dollar-to-dollar basis.

Subject to the above set-off, the Consideration shall be settled by the Purchaser by banker's draft or telegraphic transfer of immediately available funds or in such other manner as the Seller and the Purchaser may otherwise agree.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Seller on normal commercial terms with reference to the value of the Target Company of approximately RMB305 million (equivalent to approximately HK$338.55 million) as at 31 August 2019 as preliminarily assessed by the Independent Valuer.

The Consideration shall be funded by internal resources of the Group.

Conditions Precedent

Completion is conditional upon the fulfilment or waiver of, as the case may be, the following Conditions Precedent on or before the Long Stop Date:

(1) the Independent Shareholders and the GSLG Independent Shareholders passing resolutions to approve the Transactions;

(2) the Seller providing documentary evidence to the Purchaser confirming that the procedures relating to the release of the Property Mortgage have been duly completed;

(3) the warranties remaining true, accurate and not misleading in any material respect at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;

(4) the Seller having complied fully with the obligations specified in the Amended Sale and Purchase Agreement and otherwise having performed in all material respects all of the covenants and agreements required to be performed by it under the Amended Sale and Purchase Agreement;

(5) there having been no material adverse change since the date of the Sale and Purchase Agreement;

(6) no statute, regulation or decision which would reasonably be expected to prohibit, restrict or materially delay the execution, delivery or performance of the Amended Sale and Purchase Agreement, the consummation of the Transactions or the operation of the Target Group after Completion having been proposed, enacted or taken by any governmental or official authority whether in Hong Kong, the PRC or elsewhere.

The Purchaser may in its absolute discretion waive either in whole or in part any of the Conditions Precedent above (save for (1) and (2) above).

If any of the Conditions Precedent are not fulfilled (or waived, where applicable) in accordance with the Amended Sale and Purchase Agreement by the Long Stop Date, the Purchaser shall not be bound to proceed with the Acquisition and the Amended Sale and Purchase Agreement shall cease to be of any effect except certain clauses, including but not limited to confidentiality clause and save in respect of any claims arising out of any antecedent breach of the Amended Sale and Purchase Agreement.

The Directors confirm that as at the Latest Practicable Date, none of the Conditions Precedent has been fulfilled or waived.

Completion

Completion shall take place on the second business day after the fulfilment (or waiver) of all Conditions Precedent or such other time or date as the Purchaser and the Seller may agree in writing pursuant to the Amended Sale and Purchase Agreement.

Immediately after Completion, the Company will indirectly hold the entire equity interest of the Target Company and its subsidiaries, and the accounts of the Target Group will be consolidated into the financial statements of the Group.

Original Acquisition Cost

Based on the information provided by the Seller, the Seller has not incurred any acquisition cost for the Target Company, save for those relating to tax, agency fee and costs for the establishment of the Target Company (such as registration fees) in the aggregate sum of less than RMB2,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Property development and property investment in the PRC are the core business activities of the Group. As at the Latest Practicable Date, the Group, through, GSLG and its subsidiaries held a total of nine land development projects in the different locations across the country such as Changchun, Changsha, Chaoshan, Shenyang, Shenzhen, Weinan and Yunfu.

The Company has completed its review of business activities/operations and financial position of the Group for the purpose of formulating business plans and strategies for the future development of the Group. The Company is of the view that it should explore and participate in viable projects in major metropolitan centres and districts in the PRC to acquire and invest in assets with a view of enhancing the Group's business growth and asset base as well as broadening its income stream.

As the Target Group indirectly holds interests in two development projects in Nanning city of Guangxi Province, the Group can, through the Acquisition, establish its first project base in Nanning, the provincial city of Guangxi Province. When deciding to establish its presence in Nanning and invest in the development projects, the Directors have taken into account the fact that: (a) Nanning has a strategic location as the provincial city of Guangxi, an important gateway to Southeast Asia, a core city of the Beibu Gulf Economic Zone and one of the cities participating in the Belt and Road Initiative; (b) the development projects are situated in Wuxiang District, a new development district and new urban area, and a new hot spot for Nanning's economic development; and (c) the Group can utilise the existing management team and other available resources of the Target Group to tap into the property market in Nanning and the neighbouring cities. Furthermore, both of the aforesaid development projects are in relatively mature stage where the Group can expect to attain revenue and profits in foreseeable future.

On the above basis, the Board is of the view that the Acquisition will enable the Group to expand and diversify its property portfolio and further develop its property development business in the PRC. Accordingly, the Board believes that its long-term business strategy could be substantiated and realised through the Acquisition, and that the business synergies created between the Company and GSLG would allow the Company to stand in a good position.

INFORMATION OF THE GROUP, THE PURCHASER AND THE SELLER

Information of the Group

The Company is an investment holding company. The Group is principally engaged in financial services, automation, manufacturing, securities investment, property investment and development and trading of commodities.

Information of the Purchaser

As at the Latest Practicable Date, the Purchaser is owned by GSLG indirectly as to 85% and 深圳市科信時代實業投資有限公司 (Shenzhen Ke Xin Shi Dai Industrial Investment Company Limited#), an Independent Third Party, as to 15%, and thus a subsidiary of the Company.

The Purchaser is principally engaged in the investment holding of the Group's real estate project companies and trading of commodities. As regards the investment holding segment, the Purchaser will either offer the properties held through its project companies for open sale in the market or hold such properties for leasing for rental income after the construction work has been completed and the relevant licenses and permits are granted. As at the Latest Practicable Date, the subsidiaries of the Purchaser held a total of nine land development projects in the PRC, comprising one commercial development project in each of Changchun and Shenyang, one residential development project in each of Weinan and Yunfu, one commercial, residential and other commodity residential properties development project in Changsha, one urban revitalisation project in Shenzhen, and three projects in Chaoshan, which focus on commercial, residential and property development. As regards the commodities trading segment, the Purchaser solicits vendors and buyers for orders of commodities, provides temporary storage for the goods in transit and arranges product collection by the buyers.

Information on the Seller

The Seller is a limited company established in the PRC, the principal activities of which include real estate development and leasing.

As at the Latest Practicable Date, the Seller is owned as to (i) 95.98% by Baoneng Holding which is in turn indirectly owned as to 20% by Mr. Yao and as to 80% by Mr. Yao Zhenhua, the elder brother of Mr. Yao; and (ii) 4.02% by 深圳市中林實業發展有限公司 (Shenzhen Zhonglin Industrial Development Limited#) ("**Shenzhen Zhonglin**"), which is in turn owned by (a) the Seller as to 41.07%; (b) Baoneng Holding as to 9.93%; and (iii) an Independent Third Party, namely 寧波梅山保稅區聚晟佳達投資合伙企業 (Ningbo Meishan Bonded Area Jucheng Jiada Investment Partnership#) ("**Ningbo Meishan**"), as to 49% respectively.

The principal activities of Shenzhen Zhonglin are real estate property development and operations. Shenzhen Zhonglin currently owns a large-scale composite project in Longhua District, Shenzhen, which is under construction. Upon completion of construction, it is expected that the composite project will mainly focus on the provision of scientific technology services (科技產業服務綜合體).

Ningbo Meishan is a limited partnership enterprise (有限合伙企業) formed under the laws of the PRC, the principal activities of which is investment holding in property related businesses.

Ningbo Meishan is owned by four joint venture partners, namely 中國信達資產管理有限公司 (China Cinda Assets Management Limited#) ("**China Cinda**"), 深圳萊華置業有限公司 (Shenzhen Laihua Property Limited#) ("**Shenzhen Laihua**"), 信達領先(深圳)股權投資基金管理有限公司 (Cinda Lingxian (Shenzhen) Equity Investment Fund Management Limited#) ("**Cinda Lingxian**"), and 信達資本管理有限公司 (Cinda Capital Management Limited#) ("**Cinda Capital**") as to 89.98%, 10%, 0.01% and 0.01% respectively.

To the best knowledge and belief of the Directors, the ultimate beneficial owner of each of China Cinda, Cinda Lingxian and Cinda Capital is China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a central enterprise (中央企業) under the State Council of the PRC (中華人民共和國國務院), whereas the ultimate beneficial owner of Shenzhen Laihua is the Seller. To the best knowledge and belief of the Board, as at the Latest Practicable Date, Ningbo Meishan has invested a sum of RMB422,380,000 in Shenzhen Zhonglin (representing a 49% equity interest in Shenzhen Zhonglin).

Ningbo Meishan does not have any shareholding or business relationship with the Group. As such, the Seller Group, Mr. Yao and Mr. Yao Zhenhua effectively hold about 98.23% equity interest in the Seller.

INFORMATION OF THE TARGET GROUP

Corporate Structure

The Target Group consists of the Target Company and its two subsidiaries, namely, Guangxi Baohui and Guangxi Shengze.

Business

The Target Company was established by the Seller on 25 March 2019 and has since then been wholly owned by the Seller.

Guangxi Baohui was established by the Seller on 4 May 2014. After the increase in registered capital of Guangxi Baohui in April 2016, the Seller only held 51% equity interest in Guangxi Baohui and 深圳市寶能房地產顧問有限公司 (Shenzhen Baoneng Real Estate Consultancy Limited#), another company in the Seller Group, held the remaining 49% equity interest. On 17 April 2019, the Seller acquired such remaining interest in Guangxi Baohui for a consideration of RMB98 million and became the sole owner of Guangxi Baohui. On 23 April 2019, the Seller transferred the entire interest of Guangxi Baohui to the Target Company for a consideration of RMB810 million.

Guangxi Shengze was established by Shenzhen Baoneng Investments and 深圳寶源物流有限公司 (Shenzhen Baoyuan Logistics Limited#) ("**Baoyuan Logistics**") on 16 July 2013. Each of Shenzhen Baoneng Investments and Baoyuan Logistics is a company indirectly wholly-owned by Mr. Yao Zhenhua. On 25 December 2018, the Seller acquired the entire interest of Guangxi Shengze from Shenzhen Baoneng Investment and Baoyuan Logistics for a total consideration of RMB150 million. On 17 April 2019, the Seller has transferred the entire interest of Guangxi Shengze to 創邦集團有限公司 (Chuangbong Group Limited#) ("**Chuangbong Group**"), a company indirectly wholly owned by Mr. Yao and of which Mr. Yao is a director, at RMB150 million. On 23 April 2019, Chuangbong Group transferred the entire equity interest in Guangxi Shengze to the Target Company at the same consideration of RMB150 million. On 14 August 2019, Guangxi Shengze disposed of the entire equity interest in three subsidiaries, namely 桂林市寶能房地產開發有限公司 (Guilin Baoneng Real Estate Development Limited#), 廣西寶能房地產開發有限公司 (Guangxi Baoneng Real Estate Development Limited#), and 桂林市寶能投資有限公司 (Guilin Baoneng Investment Limited#), to the Seller at a total consideration of RMB30 million. After the disposal, Guangxi Shengze does not have any subsidiary.

The Target Company does not carry on any business other than holding the entire equity interest in Guangxi Baohui and Guangxi Shengze, which was acquired on 25 April 2019 for a consideration of RMB810 million and RMB150 million, respectively. Both Guangxi Baohui and Guangxi Shengze have development projects in Nanning, Guangxi Province. The details of the development projects of Guangxi Baohui and Guangxi Shengze are set out below:

Wuxianghu No. 1 Project

Guangxi Baohui develops Wuxianghu No. 1 Project, a composite development project including offices, residential units, apartment units, commercial facilities and car parking spaces. The plot on which the Wuxianghu No. 1 Project is developed has a site area of approximately 127,600 sq.m. and permitted gross floor area of approximately 788,000 sq.m. It locates in the east of Pingle Avenue# (平樂大道) in Wuxiang New District, which is a living area at the sub-centre of Wuxiang District. The site is surrounded by schools, and hospitals are under construction nearby. It is also connected to an exit of the interchange station of the second and the third subway lines of Nanning. Wuxianghu No. 1 Project is expected to be completed during the first half year of 2022. The table below sets out the information relating to the pre-sale and delivery of different types of units and remaining units in different types of units.

Year of Pre-sale or Sale*(Note 1)*	Type of units	No. of pre-sale units	Area of pre-sale units (sq.m.)	Year of Delivery of Vacant Possession	No. of Remaining Units	Area of Remaining Units (sq.m.)
2020	Residential	1,054	141,997	2022	933	129,729
	Commercial	0	0	N/A	310	25,927
	Apartment	0	0	N/A	N/A	59,629
	Car parking spaces	0	0	N/A	3,236	147,356
2021	Residential	621	91,640	2022	312	38,089
	Commercial	92	9,192	2022	218	16,735
	Apartment	N/A	59,629	2022	0	0
	Car parking spaces	717	26,502	2021	2,519	120,854
2022	Residential	312	38,089	2022	0	0
	Commercial	167	13,831	2022	51	2,904
	Apartment	0	0	N/A	0	0
	Car parking spaces	2,313	98,079	2022	206	22,775
2023	Residential	0	0	N/A	0	0
	Commercial	51	2,904	2023	0	0
	Apartment	0	0	N/A	0	0
	Car parking spaces	206	22,775	2023	0	0

Note:

1. The commercial units expected to be sold in 2023 are not units for pre-sale, as they will be sold after completion of the construction.

Wuxiang GFC Project

Guangxi Shengze develops Wuxiang GFC Project, a composite development project including offices, a hotel, apartment units, commercial facilities and car parking spaces. The plot on which the Wuxiang GFC Project is developed has a site area of approximately 66,567 sq.m. and permitted gross floor area of approximately 853,000 sq.m. It locates in the west of Wuxiang Avenue# (五象大道) in Wuxiang New District, which is within the core area of the leading financial and commercial street of Wuxiang New District. The site is adjacent to Guangxi Political Consultative Conference Building, and a number of museums and public space. It will also be connected to the No. 4 light rail of Nanning by 2020. Wuxiang GFC Project is currently the largest comprehensive project in the area. It includes, among others, a Grade A 5A office building, a luxury apartment block, a platinum five-star hotel and an international commercial mall. It is currently targeted that the Wuxiang GFC Project will be completed with the commercial units and the hotel beginning operations at or around mid 2021. The pre-sale of the property units of Wuxiang GFC Project with the total gross floor area of approximately 250,326 sq.m. has been completed for the Wuxiang GFC Project. It is currently planned that the remaining units with the total gross floor area of approximately 561,584 sq.m., comprising 249,216 sq.m. for car parking spaces, 142,641 sq.m. for commercial units, 117,671 sq.m. for office units and 52,056 sq.m. for hotel will be wholly held for investment purpose by Guangxi Shengze and will not be for sale upon completion of the construction.

Unaudited financial information

The unaudited net profit before and after tax of Guangxi Shengze and Guangxi Baohui for each of the two financial years ended 31 December 2017 and 31 December 2018 which are prepared on a basis consistent with the PRC accounting standards are set out below:

	Guangxi Shengze		**Guangxi Baohui**	
	2018	**2017**	**2018**	**2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Net profit/(loss) before tax	(4,364)	(4,233)	(134,098)	124,486
	(4,844)	(4,699)	(148,849)	138,179
Net profit/(loss) after tax	(4,364)	(10,081)	(96,529)	92,431
	(4,844)	(11,190)	(107,147)	102,599

Note: The Target Company was incorporated on 25 March 2019. The financial information for each of the two financial years ended 31 December 2017 and 31 December 2018 represent the financial information of Guangxi Shengze and Guangxi Baohui without being consolidated under the Target Company.

The unaudited consolidated total assets and consolidated net liabilities of the Target Group as at 31 August 2019 was approximately RMB5,334,077,000 and RMB171,223,000 (equivalent to approximately HK$5,920,825,500 and HK$190,058,000), respectively.

The Directors noted the net liabilities position of the Target Group. Nonetheless, they do not consider it as an adverse financial position of the Target Group because:

(a) based on the unaudited management accounts of Guangxi Shengze and of the Target Group, the proceeds of pre-sale contributed to around 70% of all liabilities of the Target Group as at 31 August 2019. As a property developer, the Target Group can only recognise the sales of properties as revenue when delivering the vacant possession of the completed property units and car parking spaces to the purchasers and all proceeds of pre-sale can only be recognised as liabilities before the delivery of vacant possession pursuant to requirements under accounting standards;

(b) the high net liability position of the Target Group does not mean that the Target Group has liquidity issue or an unsustainable level of debt. To the contrary, the funds prepaid by the purchaser for the purchase of the properties are positive cash inflow in the operating activity of the Target Group and the Target Group can utilise the funds to support the development projects and reduce reliance on external financing; and

(c) once all proceeds of pre-sale are reallocated as revenue of the Target Group after delivery of vacant possession of all unfinished property units and car parking spaces, it is expected that the Target Group will have positive net assets.

The Directors have also taken into account that the Target Group incurred loss of approximately RMB101 million for the year ended 31 December 2018 when determining the Consideration and believe that the Acquisition is in the best interest of the Company and its shareholders as a whole for the reasons below:

(a) the loss for the year ended 31 December 2018 was mainly attributable to the decrease in fair value of investment properties of Guangxi Baohui by approximately RMB210 million from approximately RMB1,310 million to RMB1,100 million. Having taken into account the fluctuation of the fair value of the investment properties, the Group had made reference to the preliminary equity valuation prepared by the Independent Valuer when determining the consideration for the Acquisition. The Independent Valuer has taken a conservative approach for the valuation of the investment properties of Guangxi Baohui, and has further adjusted downward the value of such investment properties; and

(b) as explained above, pursuant to the requirements of the applicable accounting standards, the Target Group will only be able to recognise revenue after the delivery of vacant possession of the relevant property units and car parking spaces. As (i) it is expected that the Target Group will record revenue as early as in late 2019 according to the current schedule of the development projects; and (ii) the Target Group has the proceeds of pre-sale of properties of approximately RMB3,424 million, the Board is confident that the projects will be profitable in the long run.

The cash and cash equivalent of the Target Group as at 31 December 2017 and 2018, and as at 31 August 2019 has been approximately RMB17,339,000, RMB19,820,000 and RMB12,604,000, respectively. The Target Group financed its working capital mainly by the pre-sale of property units, bank borrowings and advance from the Seller Group for the disbursements of operating expenses and construction cost with respect to the property development projects during the relevant reporting period.

FINANCIAL EFFECT OF THE ACQUISITION

The following table sets forth the financial effects of the Acquisition on the Enlarged Group identified in the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular ("**Pro Forma Financial Information**"), assuming that completion of the Acquisition had taken place on 30 June 2019, as compared to the financial position of the Group as at 30 June 2019:

	As at 30 June 2019	**Pro forma adjustment**	**Upon completion of the Acquisition (pro forma Enlarged Group)**	**Change**
	HK'000	*HK'000*	*HK'000*	*%*
Net assets	10,252,152	(335,824)	9,916,328	(3.3)
Total assets	34,682,782	(36,104)	34,646,678	(0.1)
Total liabilities	24,430,630	299,720	24,730,350	1.2

Assets and liabilities

As set out in the unaudited pro forma statement of the assets and liabilities of the Enlarged Group in Appendix IV to this Circular, assuming that Completion had taken place on 30 June 2019, the total assets of the Enlarged Group would have decreased from approximately HK$34.68 billion to approximately HK$34.65 billion, the total liabilities of the Enlarged Group would have increased from approximately HK$24.43 billion to approximately HK$24.73 billion, and the net assets of the Enlarged Group would have decreased from approximately HK$10.25 billion to approximately HK$9.92 billion as a result of the Acquisition. Further details of the unaudited pro forma statement of assets and liabilities of the Enlarged Group are set out in Appendix IV to this Circular.

Earnings

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. Accordingly, the future operating results of the Target Group will be consolidated into the accounts of the Group. As regards the financial effect on the relevant earnings of the Enlarged Group after the Acquisition, please refer to the section headed "Financial and Trading Prospect of the Enlarged Group" in Appendix I to this Circular for the corresponding details.

Capital expenditure

The capital expenditure required for completing the development of the Wuxianghu No. 1 Project and Wuxiang GFC Project is estimated to be around RMB2.65 billion and RMB1.51 billion, respectively. It is expected that the captioned funding will be financed mainly through the pre-sale of property units of Wuxianghu No. 1 Project. Besides, the Target Group can also, depending upon the exact funding needs at the relevant time, arrange to make further drawdown from the remaining portion of the Ping An Loan under the Amended Trust Loan Facility Agreement accordingly.

Further information regarding the financial position and financial performance of the Target Group, as well as management discussions and analysis and other financial information of the Target Group can be found in Appendices II, III, IV, V and VI to this Circular respectively.

PROVISION OF FINANCIAL ASSISTANCE BY SHENZHEN BAONENG INVESTMENTS

Ping An granted a trust loan facility to Guangxi Baohui under the Amended Trust Loan Facility Agreement for the sole purpose of developing the Wuxianghu No. 1 Project on the following principal terms:

Principal amount	:	Up to RMB2 billion (equivalent to approximately HK$2.22 billion)
Interest rate	:	Depending on the length of the loan period and subject to other terms and conditions of the relevant tranche of the Ping An Loan, 11% to 11.5% per annum
Loan period	:	A maximum of 30 months after the advance of that tranche of the Ping An Loan
Security or guarantee	:	(a) the Baohui Property Mortgage given by Guangxi Baohui (b) the equity pledge given by the Target Company over the entire equity interest in Guangxi Baohui; and (c) the Guarantee given by Shenzhen Baoneng Investments.

Subject to the satisfaction (or waiver) of the conditions for the relevant tranche of the Ping An Loan pursuant to the terms of the Amended Trust Loan Facility Agreement, Guangxi Baohui can draw down the outstanding amount available under the trust loan facility. On 16 May 2019, Guangxi Baohui had made the first drawdown of RMB163 million under the trust loan facility. The term of the first tranche of the Ping An Loan is one year. Guangxi Baohui shall repay RMB59 million and RMB104 million of the outstanding principal amount after the expiry six months and 12 months of the first drawdown, respectively. Subsequent to the first drawdown, Guangxi Baohui has not made any further drawdown under the Amended Trust Loan Facility Agreement.

The Ping An Loan and the Guarantee will continue after Completion. Guangxi Baohui will, depending on the funding needs at the relevant time taking into account the amount of proceeds of pre-sale of property units under construction in the Wuxianghu No. 1 Project, make subsequent drawdown from the remaining part of the trust loan facility. The subsequent drawdown can be made subject to the fulfilment of the drawdown conditions, including but not limited to (a) the delivery of the requisite internal corporate approvals of Guangxi Baohui and Shenzhen Baoneng Investments and external approvals; (b) the absence of breach of the transaction documents relating to the Ping An Loan to which Guangxi Baohui is a party; (c) the completion of registration of the Baohui Property Mortgage and the equity pledge given by the Target Company over the entire equity interest in Guangxi Baohui; (d) the issue of undertaking by Guangxi Baohui to Ping An to comply with the credit monitoring procedures; (e) the completion of the supervision measures of Ping An against Guangxi Baohui's bank accounts; and (f) the proportion of the cumulative amount of advance to RMB2 billion not exceeding the proportion of such construction area under the building work permit to the total construction area of Wuxianghu No. 1 Project at the time of advance.

Ping An is an Independent Third Party and does not have any relationship with the Company, its connected person or the Seller Group. Ping An has no interest in Wuxianghu No. 1 Project and Wuxiang GFC Project apart from being the mortgagee in respect of certain units in the buildings in the Wuxianghu No. 1 Project under the Baohui Property Mortgage.

Shenzhen Baoneng Investments is wholly owned by Mr. Yao Zhenhua, the elder brother of Mr. Yao, and as a result a connected person of the Company. The Guarantee will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules during the period from the Completion up to the release of the Guarantee.

The Guarantee is a financial assistance received by a subsidiary of the Company (assuming occurrence of the Completion) from a connected person of the Company. As the Guarantee is conducted on normal commercial terms or better and is not secured by the assets of the Enlarged Group, it is fully exempt from the reporting, announcement, annual review and independent shareholders' approvals requirements pursuant to Rule 14A.90 of the Listing Rules.

LISTING RULES IMPLICATION OF THE ACQUISITION

As at the Latest Practicable Date, Mr. Yao was an executive Director, the chairman and the chief executive officer of the Company. By virtue of his holding of 11,062,227,600 Shares, representing approximately 40.39% of the total number of Shares in issue, Mr. Yao was also a controlling Shareholder under the Listing Rules.

As at the Latest Practicable Date, Mr. Yao Zhenhua, the elder brother of Mr. Yao, had indirect beneficial interest in 4,219,560,000 Shares, representing approximately 15.41% of the total number of Shares in issue. As such, Mr. Yao Zhenhua was a substantial Shareholder under the Listing Rules.

Given that (i) Mr. Yao and Mr. Yao Zhenhua together own the entire equity interest in Baoneng Holding, and effectively hold about 98.23% of equity interest in the Seller as at the Latest Practicable Date; (ii) Mr. Yao is an executive Director and a controlling Shareholder; and (iii) Mr. Yao Zhenhua is a substantial Shareholder, the Seller is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but less than 100% for the Company, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

Based on the foregoing, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements for the Company under the Listing Rules.

EGM

The Company will hold the EGM at Units 1908 to 1909, 19/F, Tower 2, Lippo Centre, No.89 Queensway, Hong Kong on Thursday, 19 December 2019 at 11:00 a.m., at which resolutions will be proposed for the purpose of considering and if thought fit, approving the Amended Sale and Purchase Agreement and the Transactions (including the Acquisition). The notice to convene the EGM is set out on pages EGM-1 to EGM-3 of this circular.

In light of the interest of Mr. Yao and his associates in the Seller, Mr. Yao and his associates have material interest in the Acquisition. They are thus required to abstain and will abstain from voting on approving the Amended Sale and Purchase Agreement and the Transactions at the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed on the form and deposit the same at the office of the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment of EGM (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of the EGM (as the case may be).

VOTING BY POLL

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 December 2019 to Thursday, 19 December 2019 (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered during such period. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 13 December 2019.

RECOMMENDATION

In addition to the information contained in this letter, your attention is drawn to (i) the letter of recommendation from the Independent Board Committee set out on page 22 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders as to voting at the EGM in respect of the Amended Sale and Purchase Agreement and the Transactions (including but not limited to the Acquisition).

Having considered the terms of the Amended Sale and Purchase Agreement and the Transactions, the Board (including the independent non-executive Directors and excluding Mr. Yao who abstained from voting on the relevant Board resolutions) are of the view that (i) the terms of the Amended Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transactions (including but not limited to the Acquisition) are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. The Board therefore recommend you vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Amended Sale and Purchase Agreement and the Transactions (including the Acquisition).

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Glory Sun Financial Group Limited
Yao Jianhui
Chairman and Chief Executive Officer

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

寶新金融集團有限公司
GLORY SUN FINANCIAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01282)

29 November 2019

To the Independent Shareholders

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

Dear Sir or Madam,

We refer to the circular of the Company dated 29 November 2019 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

For the purposes of the Listing Rules, we have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether (i) the terms of the Amended Sale and Purchase Agreement are fair and reasonable; and (ii) the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. We are also required to recommend whether or not the Independent Shareholders should vote for the resolution(s) to be proposed at the EGM to approve the Amended Sale and Purchase Agreement and the Transactions.

We wish to draw your attention to (i) the letter of advice from Gram Capital as set out on pages 24 to 35 of the Circular; and (ii) the letter from the Board as set out on pages 7 to 21 of the Circular.

Having considered the terms of the Amended Sale and Purchase Agreement and the Transactions (including but not limited to the Acquisition), the advice of Gram Capital and the principal factors and reasons considered by and the opinion of Gram Capital, we consider that (i) the terms of the Amended Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transactions (including but not limited to the Acquisition) are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

We thus recommend that the Independent Shareholders to vote in favour of the resolution to approve the Amended Sale and Purchase Agreement and the Transactions at the EGM.

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

Mr. Wong Chun Bong *Independent non-executive Director*	**Professor Lee Kwok On, Matthew** *Independent non-executive Director*	**Mr. Lee Kwan Hung, Eddie** *Independent non-executive Director*

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower 88
Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

29 November 2019

To: The Independent Board Committee and the Independent Shareholders of Glory Sun Financial Group Limited

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 29 November 2019 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, on 19 September 2019, the Purchaser entered into the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement dated 24 October 2019) with the Seller, pursuant to which the Purchase has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the entire equity interest of the Target Company, free from all encumbrances, for a total consideration of RMB300 million (equivalent to approximately HK$333 million).

With reference to the Board Letter, the Acquisition constitutes a major and connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements for the Company under the Listing Rules.

The Independent Board Committee comprising Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Mr. Lee Kwan Hung, Eddie, being all of the independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of the Acquisition are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Acquisition at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreements/ arrangements or implied understanding with anyone concerning the Acquisition. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Target Group, and we have not been furnished with any such evaluation or appraisal, save as and except for the Property Valuation Report as set out in Appendix V to the Circular and the Equity Valuation Report as set out in Appendix VI to the Circular. The Property Valuation Report and the Equity Valuation Report were prepared by the Independent Valuer. Since we are not experts in the valuation of assets or business, we have relied solely upon the Property Valuation Report and the Equity Valuation Report for the fair value of the Target Company (including properties held by which) as at 31 August 2019.

The Circular, for which the Directors collectively and individually accept full responsibility for the information contained therein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, GSLG, the Purchaser, the Seller, the Target Group or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Acquisition

Information on the Group

With reference to the Board Letter, the Company is an investment holding company. The Group is principally engaged in financial services, automation, manufacturing, securities investment, property investment and development and trading of commodities.

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**") and the six months ended 30 June 2019 as extracted from the Company's interim report for the six months ended 30 June 2019 (the "**2019 Interim Report**"):

	For the six months ended 30 June 2019	**For the year ended 31 December 2018**	**For the year ended 31 December 2017**	**Year on year change**
	HK$'000	*HK$'000*	*HK$'000*	*%*
	(unaudited)	*(audited)*	*(audited)*	
Revenue from continuing operation	2,012,607 *(note)*	1,582,581	2,825,287	(43.99)
— *Automation*	*336,644*	*567,061*	*612,999*	*(7.49)*
— *Financial services*	*103,079*	*178,773*	*145,755*	*22.65*
— *Manufacturing*	*13,654*	*99,351*	*122,946*	*(19.19)*
— *Property investment and development*	*672,972*	*706,625*	*1,412,734*	*(49.98)*
— *Securities investment*	*(178,047)*	*30,771*	*530,853*	*(94.20)*
— *Trading of commodities*	*1,057,742*	*Nil*	*Nil*	*Nil*
— *Others*	*18,812*	*Nil*	*Nil*	*Nil*
Gross profit	54,366	519,364	871,276	(40.39)
Profit for the period/year	458,174	675,596	893,891	(24.42)

	As at 30 June 2019	**As at 31 December 2018**	**As at 31 December 2017**	**Year on year change**
	HK$'000	*HK$'000*	*HK$'000*	*%*
	(unaudited)	*(audited)*	*(audited)*	
Cash and cash equivalents	2,345,799	907,123	2,231,369	(59.35)
Net assets	11,023,235	6,964,754	7,769,381	(10.36)

Note: there is an inter-segment elimination of approximately HK$12,249,000

The Group's revenue from continuing operation amounted to approximately HK$1.58 billion for the year ended 31 December 2018 ("**FY2018**"), representing a decrease of approximately 43.99% as compared to that for the year ended 31 December 2017 ("**FY2017**"). Revenue from property investment and development amounted to approximately HK$706.63 million for FY2018, representing a decrease of approximately 49.98% as compared to that for FY2017 and contributing approximately 44.65% of the Group's total revenue for FY2018.

As at 30 June 2019, the Group had cash and cash equivalents and net assets of approximately HK$2.35 billion and HK$11.02 billion respectively.

With reference to the Board Letter, GSLG is a subsidiary of the Company. According to the announcement jointly issued by the Company and GSLG dated 19 September 2019 in relation to the Acquisition, the principal activities of the subsidiaries of the GSLG are (i) property development and property investment in the PRC including sales and leasing of properties; (ii) trading of commodities; (iii) development of cultural sports in the PRC including a yacht club, a training centre and a golf course; and (iv) securities investment.

Information on the Purchaser

With reference to the Board Letter, the Purchaser is principally engaged in the investment holding of the Group's real estate project companies and trading of commodities. As regards the investment holding segment, the Purchaser will either offer the properties held through its project companies for open sale in the market or hold such properties for leasing for rental income after the construction work has been completed and the relevant licenses and permits are granted. As at the Latest Practicable Date, the subsidiaries of the Purchaser hold a total of nine land development projects in the PRC, comprising one commercial development project in each of Changchun and Shenyang, one residential development project in each of Weinan and Yunfu, one commercial, residential and other commodity residential properties development project in Changsha, one urban revitalisation project in Shenzhen, and three projects in Chaoshan, which focus on commercial, residential and property development. As regards the commodities trading segment, the Purchaser solicits vendors and buyers for orders of commodities, provides temporary storage for the goods in transit and arranges product collection by the buyers. As at the Latest Practicable Date, the Purchaser is owned by GSLG indirectly as to 85% and 深圳市科信時代實業投資有限公司 (Shenzhen Ke Xin Shi Dai Industrial Investment Company Limited*), an Independent Third Party, as to 15%, and thus is a subsidiary of the Company.

Information on the Seller

With reference to the Board Letter, the Seller is a limited company established in the PRC, the principal activities of which include real estate development and leasing. Further information of the Seller is contained in the section headed "Information on the Seller" of the Board Letter.

Information on the Target Group

With reference to the Board Letter, the Target Group consists of the Target Company and its two subsidiaries, namely, Guangxi Baohui and Guangxi Shengze. The Target Company does not carry on any business other than holding the entire equity interest in Guangxi Baohui and Guangxi Shengze, which was acquired on 25 April 2019. Both Guangxi Baohui and Guangxi Shengze have development projects in Nanning, Guangxi Province. Details of the development projects of Guangxi Baohui and Guangxi Shengze (i.e. the Wuxianghu No. 1 Project developed by Guangxi Baohui and the Wuxiang GFC Project developed by Guangxi Shengze) (including the project completion time, sale/pre-sale and delivery timetable of the units) are set out in the section headed "INFORMATION OF THE TARGET GROUP" of the Board Letter.

As further mentioned in the Board Letter, based on the information provided by the Seller, the Seller has not incurred any acquisition cost for the Target Company, save for those relating to tax, agency fee and any other costs for the establishment of the Target Company (such as registration fees) in the aggregate sum of less than RMB2,000.

According to the Board Letter, the capital expenditure required for completing the development of the Wuxianghu No. 1 Project and Wuxiang GFC Project is estimated to be around RMB2.65 billion and RMB1.51 billion, respectively. It is expected that the captioned funding will be financed mainly through the pre-sale of property units of Wuxianghu No. 1 Project. Besides, the Target Group can also, depending upon the exact funding needs at the relevant time, arrange to make further drawdown from the remaining portion of the Ping An Loan under the Amended Trust Loan Facility Agreement accordingly.

Set out below are the unaudited financial information of Guangxi Shengze and Guangxi Baohui for each of FY2017 and FY2018 as extracted from the Board Letter:

	Guangxi Shengze		**Guangxi Baohui**	
	For the year ended 31 December 2018	**For the year ended 31 December 2017**	**For the year ended 31 December 2018**	**For the year ended 31 December 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net profit/(loss) before tax	(4,364)	(4,233)	(134,098)	124,486
Net profit/(loss) after tax	(4,364)	(10,081)	(96,529)	92,431

Note: The Target Company was incorporated on 25 March 2019. The financial information for each of FY2017 and FY2018 represent the financial information of Guangxi Shengze and Guangxi Baohui without being consolidated under the Target Company.

With reference to audited financial information of the Target Group as contained in Appendix II to the Circular and the section headed "MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP" as contained in Appendix III to the Circular, for the three years ended 31 December 2018, all revenue of the Target Group were contributed by Wuxianghu No. 1 Project, and no revenue was recognized in respect of the Wuxiang GFC Project. The Target Group recorded revenue of approximately RMB25,129,000 for FY2017 and RMB534,535,000 for FY2018. Such increase was directly caused by the sharp increase in number of units of properties sold from 19 commercial units in 2017 to 782 residential units and 50 commercial units in 2018. The Target Group's revenue dropped from approximately RMB500 million for the eight months ended 31 August 2018 to approximately RMB8.9 million for the eight months ended 31 August 2019 because of the substantial decline in number of units of properties sold (from 782 residential units and 19 commercial units in the first eight months in 2018 to only one residential unit and five commercial units in the first eight months in 2019).

With reference to the Board Letter, pursuant to the requirements of the applicable accounting standards, the Target Group will only be able to recognize revenue after the delivery of vacant possession of the relevant property units and car parking spaces. As advised by the Directors, it is expected that the Target Group will record revenue from Wuxiang GFC Project as early as in late 2019 according to the current schedule of the development projects; and the Target Group has proceeds of approximately RMB3,424 million from pre-sale of properties from Wuxiang GFC Project as at 31 August 2019. The unaudited loss of approximately RMB101 million incurred by the Target Group for FY2018 was mainly attributable to the decrease in fair value of investment properties of Guangxi Baohui.

According to the Board Letter, the unaudited consolidated total assets and consolidated net liabilities of the Target Group as at 31 August 2019 was approximately RMB5,334,077,000 and RMB171,223,000. The proceeds of pre-sale contributed to around 70% of all liabilities of the Target Group as at 31 August 2019. As a property developer, the Target Group can only recognize the sales of properties as revenue when delivering the vacant possession of the completed property units and car parking spaces to the purchasers and all proceeds of pre-sale can only be recognized as liabilities before the delivery of vacant possession pursuant to requirements under accounting standards.

As further mentioned in the Board Letter, the Target Group had cash and cash equivalent of approximately RMB17,339,000 as at 31 December 2017, RMB19,820,000 as at 31 December 2018 and RMB12,604,000 as at 31 August 2019. The Target Group financed its working capital mainly by the pre-sale of property units, bank borrowings and advance from the Seller Group for the disbursements of operating expenses and construction cost with respect to the property development projects during the relevant reporting period.

Reasons for and benefits of the Acquisition

With reference to the Board Letter, property development and property investment in the PRC is one of the core business activities of the Group. It holds land development projects in the different locations across the country such as Changchun, Changsha, Chaoshan, Shenyang, Shenzhen, Weinan, and Yunfu.

As further mentioned in the Board Letter, the Group can, through the Acquisition, establish its first project base in Nanning, the provincial city of Guangxi Province. When deciding to establish its presence in Nanning and invest in the development projects, the Directors have taken into account the fact that: (a) Nanning has a strategic location as the provincial city of Guangxi, an important gateway to Southeast Asia, a core city of the Beibu Gulf Economic Zone and one of the cities participating in the Belt and Road Initiative; (b) the development projects are situated in Wuxiang District, a new development district and new urban area, and a new hot spot for Nanning's economic development; and (c) the Group can utilise the existing management team and other available resources of the Target Group to tap into the property market in Nanning and the neighbouring cities. Furthermore, both of the aforesaid development projects are in relatively mature stage where the Group can expect to attain revenue and profits in foreseeable future. On the above basis, the Board is of the view that the Acquisition will enable the Group to expand and diversify its property portfolio and further develop its property development business in the PRC.

With reference to the 2018 Annual Report, since the adoption of property investment and development as a principal business activity in 2017 by the Company, the Group has continued to acquire quality properties and development projects both in Hong Kong and the PRC which bring a stable revenue and value to the Company. With reference to the 2019 Interim Report, the Group holds certain property projects in PRC. Given that there is still a huge demand in the PRC property market, the Company has scheduled to conduct a large scale of sale of its developed properties in the PRC in the second half of 2019.

For our due diligence purpose, we performed the following analysis on the real estate market in the PRC and the economics of Nanning.

According to the statistics published by the National Bureau of Statistics of China, (i) the investment actually completed by enterprises for real estate development in the PRC increased from approximately RMB9,503.6 billion in 2014 to approximately RMB12,026.4 billion in 2018, representing a compound annual growth rate ("**CAGR**") of approximately 6.06%; (ii) the floor space of commercialized buildings sold in the PRC increased from approximately 1,206.5 million square meters in 2014 to approximately 1,716.5 million square meters in 2018, representing a CAGR of approximately 9.22%; and (iii) the floor space of residential buildings sold in the PRC increased from approximately 1,051.9 million square meters in 2014 to approximately 1,479.3 million square meters in 2018, representing a CAGR of approximately 8.90%.

In addition, according to《南寧市國民經濟和社會發展統計公報》(Statistical Bulletin on National Economic and Social Development of Nanning*) as published by the Guangxi Nanning Municipal Bureau of Statistics, the gross domestic product of Nanning increased from approximately RMB314.8 billion in 2014 to approximately RMB434.1 billion in 2018, representing a CAGR of approximately 8.36%. The annual disposable income per capita of urban household in Nanning increased from RMB27,075 in 2014 to RMB35,276 in 2018, representing a CAGR of approximately 6.84%.

Having considered the above, in particular, (i) that the Acquisition is in line with the Group's development strategy; (ii) the property investment and development segment is one of the principal operating segments of the Group; and (iii) the statistics of the PRC real estate market and the economics of Nanning as highlighted above, we concur with the Directors that the Acquisition is in the interests of the Company and its Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Amended Sale and Purchase Agreement in relation to the Acquisition

Summarised below are the major terms for the Amended Sale and Purchase Agreement, details of which are set out under the section headed "Principal Terms of the Amended Sale and Purchase Agreement" of the Board Letter.

Date

19 September 2019 (as supplemented by the Supplemental Agreement dated 24 October 2019)

Parties

(i) the Purchaser, a non-wholly-owned subsidiary of the Company

(ii) the Seller, a connected person of the Company

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the entire equity interest of the Target Company.

Consideration and payment terms

The Consideration for the Acquisition payable by the Purchaser to the Seller is RMB300 million (equivalent to approximately HK$333 million) and shall be payable by instalments. The Purchaser and Seller acknowledge and agree that the Other Receivables shall be offset from the first instalment of the consideration on a dollar-to-dollar basis.

With reference to the Board Letter, the Consideration was arrived at after arm's length negotiations between the Purchaser and the Seller on normal commercial terms with reference to the value of the Target Company as at 31 August 2019 as preliminarily assessed by the Independent Valuer. The Consideration shall be funded by internal resources of the Group.

Valuation of the Target Company

The Company engaged the Independent Valuer to conduct the valuation on the fair value of the Target Company as at 31 August 2019. According to the Equity Valuation Report, the valuation of the Target Company as at 31 August 2019 was approximately RMB314,034,000 (the "**Equity Valuation**"). The Consideration of RMB300 million represents a discount of approximately 4.47% to the Equity Valuation.

For our due diligence purpose, we reviewed the Equity Valuation Report and discussed with the Independent Valuer regarding the methodology adopted and the basis and assumptions used in the valuation. In preparing the Equity Valuation Report, the

Independent Valuer adopted the cost approach. As confirmed by the Independent Valuer, the cost approach is one of the commonly adopted approaches for valuation of business and is also consistent with normal market practice.

With reference to the Equity Valuation Report, as the major asset of the Target Company is the inventories and investment properties and there are no other major business operations other than property sales and lease rental of the investment properties, the Independent Valuer considered that the sum of the value of individual assets and liabilities on book could represent the value of the Target Company and applied summation method under the cost approach. In particular, the book value of the inventories and investment properties of Guangxi Baohui and Guangxi Shengze are adjusted to market value as at the Valuation Date. In respect of the market value of the inventories and investment properties, the Independent Valuer referred to the Property Valuation Report. As confirmed by the Independent Valuer, the valuation was carried out in accordance with the International Valuation Standards 2017 as published by the International Valuation Standards Council. The International Valuation Standards 2017 set out, among others, key steps and considerations for different types of valuation approaches and methods (including making relevant adjustments to the cost of the subject asset under the cost approach). Details of the summation method (including the fair value adjustments adopted by the Independent Valuer) are set out in the section headed "APPLICATION OF COST APPROACH" in the Equity Valuation Report as set out in Appendix VI to the Circular.

For our due diligence purpose, we also reviewed the Property Valuation Report and discussed with the Independent Valuer regarding the methodology adopted and the basis and assumptions used in the valuation. In preparing the Property Valuation Report, the Independent Valuer adopted the market approach. As confirmed by the Independent Valuer, the market approach is one of the commonly adopted approaches for valuation of property interest and is also consistent with normal market practice.

According to the Property Valuation Report as contained in Appendix V to the Circular, the Independent Valuer have been provided with a legal opinion by the Group's PRC legal adviser regarding the legal title of the property (the "**PRC Legal Opinion**"). As mentioned in the Property Valuation Report, according to the relevant land grant contracts, relevant developments of the Wuxianghu No. 1 Project and the Wuxiang GFC Project shall be completed by 30 April 2017 and 6 March 2017 respectively. Nevertheless, as at the valuation date, the developments were still under construction.

In relation to the Wuxianghu No. 1 Project, with reference to the PRC Legal Opinion, (i) Guangxi Baohui has applied to the planning and construction committee of Guangxi Nanning Wuxiang New District (the "**Committee**") for delay due to, among others, the suspension of construction work during 2014–2016 of government conference and that the construction plan was improved to meet the standards of relevant notice issued by the Committee; (ii) the delay of property development is common in the PRC; (iii) as at 31 August 2019, Guangxi Baohui had not received any notice about penalty of postpone from the Committee; (iv) a verbal agreement was reached in July 2019 between Guangxi Baohui and the Committee, whereby the Committee agreed to postpone the completion date to a later date and that no penalty will be charged; and (v) the PRC legal adviser considered that the chance of Guangxi Baohui being penalized for the delay is minimal.

In relation to the Wuxiang GFC Project, with reference to the PRC Legal Opinion, (i) Guangxi Shengze has applied to the Committee for delay due to, among others, the wide range of hard foundation, the holding of World Gymnastics Championship and government conference and the revised planning of basement; (ii) the delay of property development is common in the PRC; and (iii) on 12 October 2019, the Natural Resources Bureau of Nanning entered into an agreement with Guangxi Shengze pursuant to which the Committee agreed to postpone the completion date of the Wuxiang GFC Project to 21 March 2020.

Further details of the Property Valuation Report and the Equity Valuation Report (including but not limited to details of the valuation methodology and valuation assumptions) are set out in Appendix V and Appendix VI to the Circular.

We also reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Property Valuation Report and the Equity Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the valuation. From the mandate letter and other relevant information provided by the Independent Valuer and based on our interview with them, we are satisfied with the terms of engagement of the Independent Valuer as well as their qualification and experience for preparation of the Property Valuation Report and the Equity Valuation Report. The Independent Valuer also confirmed that they are independent to the Group, GSLG, the Seller and the Target Group.

During our discussion with the Independent Valuer, we did not identify any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the valuation.

Accordingly, we consider that the Equity Valuation Report is a fair and reasonable reference for the assessment of the fair value of the Target Company.

Taking into account the above, in particular that the Consideration represents a discount of approximately 4.47% to the Equity Valuation, we consider that the terms of the Acquisition are fair and reasonable.

For further detailed terms of the Acquisition, please refer to the section headed "Principal Terms of the Amended Sale and Purchase Agreement" of the Board Letter.

3. Financial effect of the Acquisition

With reference to the Board Letter, immediately after Completion, the Company will indirectly hold the entire equity interest of the Target Company and its subsidiaries, and the accounts of the Target Group will be consolidated into the financial statements of the Company.

The unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Information**") is included in Appendix IV to the Circular.

With reference to the 2019 Interim Report, the unaudited consolidated total assets and total liabilities of the Group were approximately HK$27.66 billion and HK$16.64 billion as at 30 June 2019 respectively. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Enlarged Group would be approximately HK$34.65 billion and HK$24.73 billion respectively as if the Acquisition had taken place on 30 June 2019.

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

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Acquisition are on normal commercial terms and are fair and reasonable; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *For identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 December 2016, 2017 and 2018 and the unaudited consolidated financial information, together with the accompanying notes to the financial statements, of the Group for the six months ended 30 June 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hk1282.com):

Annual report for the year ended 31 December 2016 (pages 59 to 148):
https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0406/ltn201704061409.pdf

Annual report for the year ended 31 December 2017 (pages 67 to 168):
https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0410/ltn20180410911.pdf

Annual report for the year ended 31 December 2018 (pages 72 to 228):
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291983.pdf

Interim report for the six months ended 30 June 2019 (pages 8 to 63):
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0930/ltn20190930297.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 September 2019, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had the following indebtedness:

	Notes	**As at 30 September 2019** *HK$'000* (unaudited)
Bank Borrowings — secured	*(1)*	5,005,155
Bank Borrowings — unsecured	*(2)*	49,695
Other Borrowings — secured	*(3)*	259,702
Other Borrowings — unsecured	*(4)*	3,395,647
Loan from related companies	*(5)*	38,360
Note payable	*(6)*	518,408
Corporate bonds	*(7)*	1,376,000
Lease liabilities	*(8)*	35,977
		10,678,944

Notes:

(1) Bank borrowings of approximately HK$3,622,787,000 are secured by a pledge of certain investment properties, properties under development and properties held for sales held by the Enlarged Group. Further to that, these balances are with guarantee as follows:

— Approximately HK$876,800,000 is guaranteed by subsidiaries of the Company and the controlling shareholder of the Company;

— Approximately HK$83,296,000 is guaranteed by a subsidiary of the Company, a related company and the controlling shareholder of the Company;

— Approximately HK$21,920,000 is guaranteed by a related company and the controlling shareholder of the Company;

— Approximately HK$548,000,000 is secured by the entire equity capital of a subsidiary of the Company and is guaranteed by a related company and the controlling shareholder of the Company;

— Approximately HK$38,138,000 is guaranteed by the Company;

— Approximately HK$328,800,000 are guaranteed by a related company;

— Approximately HK$17,536,000 is guaranteed by a subsidiary of the Company;

— Approximately HK$355,104,000 are not guaranteed and secured by the entire equity interest of non-wholly owned subsidiary of the Company; and

— Approximately HK$1,353,193,000 are not guaranteed.

Bank borrowings of approximately HK$192,528,000 are secured by shares of a subsidiary and is guaranteed by the Company.

Bank borrowings of approximately HK$20,000,000 are secured by certain listed securities pledged by the customers to the Group as loan collateral and is guaranteed by the Company.

Bank borrowings of approximately HK$73,840,000 are secured by a charge over pledged bank deposits of subsidiaries of the Company, among which amount of approximately HK$30,000,000 is guaranteed by the Company and approximately HK$43,840,000 is not guaranteed.

Bank borrowings of approximately HK$1,096,000,000 are secured by the entire equity interest of a wholly-owned subsidiary of the Company and is guaranteed by a wholly-owned subsidiary, a related company and the controlling shareholder of the Company.

(2) The balances are the unsecured, interest bearing and guaranteed by the Company. They are import loans due to banks and an unsecured term loan due to a bank in Hong Kong with outstanding amounts of approximately HK$40,506,000 and HK$9,189,000 respectively.

(3) The balances of approximately HK$81,054,000 are secured by a pledge of certain listed securities of the Group, not guaranteed, interest bearing and is repayable on demand. The balance of approximately HK$178,648,000 is secured by the certain properties under development, entire equity capital of a wholly-owned subsidiary of the Target Group and is guaranteed by a related parties of the Company.

(4) The balances of approximately HK$777,461,000 are unsecured, not guaranteed, interest bearing and will become mature in 2019 to 2024, among which amount of approximately HK$75,502,000 is repayable on demand.

The balance of approximately HK$274,000,000 are unsecured, not guaranteed, interest free and will become mature in 2019.

The balance with principal amount of approximately HK$2,644,634,000 are unsecured, not guaranteed, interest free and will become mature in 2023 and 2024. The fair value of such balance is HK$2,344,186,000 and it is determined with the effective interest rate of 4%.

(5) The balances are unsecured, not guaranteed, interest bearing and will become mature in 2020.

(6) The balances are secured by a charge over a pledged bank deposit of a subsidiary of the Company, interest free, guaranteed by a subsidiary of the Company and repayable in August and September 2020.

(7) The balances are unsecured, interest bearing and will be mature in 2019 and 2020. Approximately HK$1,208,000,000 are guaranteed by a subsidiary of the Company and approximately HK$168,000,000 are not guaranteed.

(8) The lease liabilities have been measured at the present value of the remaining lease payments using a discount rate ranged 5.00% to 7.44%.

Contingent liabilities or guarantees

The Group has arranged bank financing for certain purchasers of the Enlarged Group's property units and provided guarantees to secure obligations of such purchasers for repayments. As at 30 September 2019, guarantees amounting to HK$1,278,050,000 were given to banks with respect to loans procured by purchasers of the Enlarged Group's properties. Such guarantees would terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers; or (ii) the full repayment of mortgage loan by the purchasers of properties.

As at 30 September 2019, the Enlarged Group gave certain guarantees to some banks in respect of banking facilities granted to an associated party of the former equity holder of a subsidiary of the Company. Under the guarantees, the Enlarged Group and the associated party shall be jointly and severally liable for all or any of the borrowings of each of them from the banks upon failure of the guaranteed entity to make payment when due. The maximum liability of the Enlarged Group as at 30 September 2019 under guarantees was RMB300,000,000 (equivalent to approximately HK$328,800,000), representing the amount of bank loans drawn under the guarantees as at that date.

As at 30 September 2019, a subsidiary of the Target Company pledged certain properties under development to secure a borrowing of a related company of the Enlarged Group. Under the charge, the subsidiary of the Target Company and the related company shall be jointly liable for all or any of the borrowings of each of them from the banks upon failure of the borrower to make payment when due. The maximum liability of the Target Group as at 30 September 2019 under charge was RMB450,000,000 (equivalent to approximately HK$493,200,000), representing the amount of borrowing drawn as at that date.

Save as aforesaid or as otherwise disclosed herein, as at the close of business on 30 September 2019, the Enlarged Group had no other: (i) debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured; (ii) borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; (iii) mortgages and charges; and (iv) contingent liabilities or guarantees.

3. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date up to which the latest published audited financial statements of the Company were made, and up to and including the Latest Practicable Date.

4. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry, are of the opinion that after taking into account the financial resources available to the Enlarged Group including the internally generated funds and available facilities, the effect of the Acquisition and the Completion of the Acquisition, the Enlarged Group will have sufficient working capital for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

After GSLG established property investment and development as an important business segment in 2017, followed by business adjustment in 2017 and 2018, GSLG, which has become a subsidiary of the Company since April 2019, has now developed into a large-scale real estate company primarily engaged in integrated property development and services covering multi-forked product segments including office buildings, commercial, multi-storey and high-rise residences, hotels, commercial apartments, villas, and garden houses, owning a total of nine development projects in seven cities across the country with a total construction area of 2.93 million square meters and a total investment of approximately RMB25 billion. Looking forward, the Group will provide sufficient support to GSLG to speed up its entry into the residential property market. At the same time, it will promote the development and construction of various property projects as planned while actively exploring new projects opportunities.

The Target Group indirectly holds interests in two development projects in Nanning City of Guangxi Province. It has a competent real estate development team of about 150 qualified members. The team is specialized in managing large-scale real estate development projects in those areas such as conducting cost budgetary control, developing sales network and devising and implementing marketing strategies. Benefited from the above two high quality real estate projects mainly owned by Guangxi Baohui and Guangxi Shengze, the Target Group has won a good reputation in the local real estate market in Nanning which can aid the Group to explore further new business opportunities in both Nanning and the neighbouring cities after Completion. It is also expected that the Acquisition will further promote the Group's brand in the Nanning real estate market and expand the Group's land reserves and enhance its capability for sustainable development.

Since the real estate development projects of the Target Group are in a relatively mature stage, it is expected that substantial revenue and profits will be brought into the Enlarged Group soon after the Completion. Accordingly, the Group believes that its long-term business strategy can be substantiated and realised through the Acquisition, and that the business synergies created between the Group and GSLG would allow the Group to stand in good position as disclosed in the section headed "Reasons for and benefits of the Acquisition" under the "Letter from the Board" to this circular, the Board is optimistic about the future development in properties development business as well as the profitability of the Enlarged Group.

The following is the text of a report set out on pages II-1 to II-3, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GLORY SUN FINANCIAL GROUP LIMITED

Introduction

We report on the historical financial information of Shenzhen Baoneng Hengchuang Industrial Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-55, which comprises the consolidated statements of financial position as at 31 December 2016, 2017, 2018 and 31 August 2019, and the statement of financial position of the Target Company as at 31 August 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-55 forms an integral part of this report, which has been prepared for inclusion in the circular of Glory Sun Financial Group Limited (the "**Company**") dated 29 November 2019 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest of the Target Company by an indirect non-wholly-owned subsidiary of the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 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, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 August 2019, and the consolidated financial position of the Target Group as at 31 December 2016, 2017 and 2018 and 31 August 2019 and of the Target Group's consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative historical financial information

We have reviewed the stub period comparative historical financial information of the Target Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 August 2018 and other explanatory information (the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative

Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate no. P04743
Hong Kong, 29 November 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Eight months ended 31 August	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*6*	131,767	25,129	534,535	499,913	8,909
Cost of sales		(119,595)	(16,285)	(429,474)	(400,929)	(5,637)
Gross profit		12,172	8,844	105,061	98,984	3,272
Other income	*6*	580	624	218	161	274,449
Selling expenses		(9,511)	(11,264)	(11,438)	(5,558)	(10,568)
Administrative and other expenses		(8,642)	(249,369)	(130,256)	(127,892)	(2,890)
(Provision)/reversal of impairment loss on financial assets		(25,059)	4,896	8,257	5,331	(6,262)
Fair value gain of investment properties	*13*	192,033	144,738	4,321	3,873	3,371
Finance costs	*7*	—	—	—	—	(124,130)
Profit/(loss) before income tax	*8*	161,573	(101,531)	(23,837)	(25,101)	137,242
Income tax expense	*10*	(57,821)	(36,112)	(28,975)	(19,042)	(1,138)
Profit/(loss) and total comprehensive income for the year/period		103,752	(137,643)	(52,812)	(44,143)	136,104

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 August
		2016	2017	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*12*	3,345	2,361	3,904	3,189
Investment properties	*13*	897,600	1,261,100	1,379,100	1,474,000
Deferred tax assets	*23*	44,332	35,852	34,536	33,987
Loan receivable	*17*	—	—	—	917,833
		945,277	1,299,313	1,417,540	2,429,009
Current assets					
Properties under development	*14*	1,527,810	1,932,326	1,930,696	2,529,523
Properties held for sale	*15*	150,521	134,236	111,610	105,974
Trade and other receivables	*16*	1,448,214	997,947	1,051,287	1,049,245
Amounts due from related companies	*20*	1,726,938	1,995,666	1,375,165	—
Amount due from intermediate holding company	*20*	35,005	—	—	—
Amounts due from fellow subsidiaries	*20*	82,174	72,080	—	—
Tax recoverable		148,093	204,198	197,762	197,876
Cash and cash equivalents	*18*	122,184	17,339	19,820	12,604
		5,240,939	5,353,792	4,686,340	3,895,222
Current liabilities					
Trade and other payables	*19*	676,182	1,147,376	1,002,877	1,188,363
Contract liabilities	*22*	3,904,514	3,933,903	3,429,991	3,424,158
Amounts due to related companies	*20*	6	—	13,829	—
Amount due to immediate holding company	*20*	1,070,613	1,447,759	1,608,653	818
Amounts due to fellow subsidiaries	*20*	—	—	27,296	131
Borrowings	*21*	300,000	202,000	119,000	163,000
Tax payable		—	—	10,699	10,720
		5,951,315	6,731,038	6,212,345	4,787,190
Net current liabilities		(710,376)	(1,377,246)	(1,526,005)	(891,968)
Total assets less current liabilities		234,901	(77,933)	(108,465)	1,537,041

		As at 31 December			As at 31 August
		2016	2017	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Borrowings	*21*	202,000	—	21,950	2,138,856
Deferred tax liabilities	*23*	65,349	92,158	92,488	92,856
		267,349	92,158	114,438	2,231,712
Net liabilities		(32,448)	(170,091)	(222,903)	(694,671)
EQUITY					
Share capital	*24*	—	—	—	—
Reserves	*25*	(32,448)	(170,091)	(222,903)	(694,671)
Capital deficiency		(32,488)	(170,091)	(222,903)	(694,671)

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 August 2019 RMB'000
ASSETS AND LIABILITIES		
Non-current asset		
Investments in subsidiaries		960,000
Current asset		
Cash and cash equivalents		61
Current liabilities		
Accruals		1,380
Amount due to immediate holding company	20	300
		1,680
Net current liabilities		(1,619)
Total assets less current liabilities		958,381
Non-current liability		
Borrowing	21	850,938
Net assets		107,443
EQUITY		
Share capital	24	—
Reserves	25	107,443
Total equity		107,443

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Reserves				
	Share capital	**Accumulated losses**	**Statutory reserve**	**Merger reserve**	**Other reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 24)	*(Note 25)*	*(Note 25)*	*(Note 25)*	*(Note 25)*	
At 1 January 2016	—	(136,200)	—	—	—	(136,200)
Profit and total comprehensive income for the year	—	103,752	—	—	—	103,752
Transfer of statutory reserve	—	(8,209)	8,209	—	—	—
At 31 December 2016 and 1 January 2017	—	(40,657)	8,209	—	—	(32,448)
Loss and total comprehensive income for the year	—	(137,643)	—	—	—	(137,643)
Transfer of statutory reserve	—	(9,243)	9,243	—	—	—
At 31 December 2017 and 1 January 2018	—	(187,543)	17,452	—	—	(170,091)
Loss and total comprehensive income for the year	—	(52,812)	—	—	—	(52,812)
At 31 December 2018 and 1 January 2019	—	(240,355)	17,452	—	—	(222,903)
Profit and total comprehensive income for the period	—	136,104	—	—	—	136,104
Arising from reorganisation	—	—	—	(610,000)	—	(610,000)
Deemed contribution from shareholder arise from disposal of subsidiaries *(Note 29)*	—	—	—	—	2,128	2,128
At 31 August 2019	—	(104,251)	17,452	(610,000)	2,128	(694,671)
For the eight months ended 31 August 2018 (unaudited)						
At 1 January 2018	—	(187,543)	17,452	—	—	(170,091)
Loss and total comprehensive income for the period	—	(44,143)	—	—	—	(44,143)
At 31 August 2018 (unaudited)	—	(231,686)	17,452	—	—	(214,234)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Eight months ended 31 August	
		2016	2017	2018	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities						
Profit/(loss) before income tax		161,573	(101,531)	(23,837)	(25,101)	137,242
Adjustments for:						
Depreciation of property, plant and equipment	*8*	512	731	1,277	851	1,325
Interest income	*6*	(337)	(170)	(120)	(12)	(274,169)
Finance costs	*7*	—	—	—	—	124,130
Loss on disposal of property, plant and equipment	*8*	—	92	—	—	—
Write off of property, plant and equipment	*8*	—	12	—	—	18
Provision/(reversal) of impairment loss on financial assets		25,059	(4,896)	(8,257)	(5,331)	6,262
Fair value gain of investment properties	*13*	(192,033)	(144,738)	(4,321)	(3,873)	(3,371)
Operating loss before working capital changes		(5,226)	(250,500)	(35,258)	(33,466)	(8,563)
Increase in trade and other receivables		(502,156)	(103,872)	(161,833)	(227,844)	(628,763)
(Increase)/decrease in properties under development		(152,742)	(260,906)	136,749	208,686	(270,528)
(Increase)/decrease in properties held for sale		(150,521)	16,285	22,626	24,363	5,636
Increase/(decrease) in trade and other payables		135,443	393,406	(161,510)	337,068	32,450
Increase/(decrease) in contract liabilities		3,621,588	29,389	(503,912)	(489,746)	(5,833)
Cash generated from/(use in) operations		2,946,386	(176,198)	(703,138)	(180,939)	(875,601)
Income tax paid		(154,082)	(56,928)	(10,193)	(9,326)	(314)
Net cash from/(use in) operating activities		2,792,304	(233,126)	(713,331)	(190,265)	(875,915)

	Notes	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Eight months ended 31 August 2018 RMB'000 (unaudited)	2019 RMB'000
Cash flows from investing activities						
Repayments from/(advances to) related companies		167,379	(271,039)	628,756	101,865	1,377,474
(Advances to)/repayment from intermediate holding Company		(32,034)	35,005	—	—	—
(Advances to)/repayments from fellow subsidiaries		(82,174)	10,094	72,080	72,080	—
(Advances to)/repayments from external parties		(149,256)	554,796	—	—	—
Purchase of property, plant and equipment		(2,263)	(3)	(2,820)	(1,228)	(634)
Proceeds from disposal of property, plant and equipment		—	152	—	—	—
Addition in investment properties		(53,967)	(218,762)	(113,679)	(60,527)	(91,529)
Disposal of subsidiaries, net of cash disposed	*29*	—	—	—	—	(460)
Interest received		337	170	120	12	38
Net cash (used in)/from investing activities		(151,978)	110,413	584,457	112,202	1,284,889
Cash flows from financing activities	*28*					
Proceeds from borrowings		502,000	—	119,000	—	163,000
Repayments of borrowings		—	(300,000)	(202,000)	(202,000)	(119,000)
(Repayments to)/advances from related companies		(32,775)	(6)	13,829	107,941	(13,570)
Advance from/(repayments to) immediate holding company		502,078	377,146	160,894	136,160	(438,575)
Repayment to intermediate holding Company		(321,000)	—	—	—	—
(Repayments to)/advances from fellow subsidiaries		(3,209,448)	—	49,246	49,331	155
Interest paid		(27,560)	(59,272)	(9,614)	(6,727)	(8,200)
Net cash (used in)/from financing activities		(2,586,705)	17,868	131,355	84,705	(416,190)
Net increase/(decrease) in cash and cash equivalents		53,621	(104,845)	2,481	6,642	(7,216)
Cash and cash equivalents at beginning of the year/period	*18*	68,563	122,184	17,339	17,339	19,820
Cash and cash equivalents at end of the year/period	*18*	122,184	17,339	19,820	23,981	12,604

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1.1 GENERAL INFORMATION

The Target Company was incorporated in the People's Republic of China (the "**PRC**") on 25 March 2019 with limited liability. The address of its registered office is Room 725, 7th Floor, 818, Sungang Warehouse, Liyuan Road, Zhuxi Community, Luohu District, Shenzhen.

The Target Company is an investment holding company and its subsidiaries are principally engaged in the properties development in the PRC (the "**Business**").

As at the date of this report, the Target Company has direct or indirect interests in following subsidiaries, and the particulars of which are set out below:

Name	Place and date of incorporation	Principal activities	Issued and fully paid up/ registered share capital	Percentage of equity attributable to the Target Company	
				Directly	Indirectly
Guangxi Shengze Investment Co., Ltd*# 廣西盛澤投資有限公司 ("Guangxi Shengze")	PRC 16 July 2013	Property development	RMB150,000,000	100%	—
Guangxi Baohui Property Co., Ltd*# 廣西寶匯置業有限公司 ("Guangxi Baohui")	PRC 4 May 2014	Property development	RMB200,000,000	100%	—
桂林市寶能房地產開發有限公司^	PRC 29 July 2013	Inactive	RMB10,000,000	—	—
廣西寶能房地產開發有限公司^	PRC 26 July 2013	Inactive	RMB10,000,000	—	—
桂林市寶能投資有限公司^	PRC 29 July 2013	Inactive	RMB10,000,000	—	—

\# *The local auditor's reports of these companies for the years ended 31 December 2016, 2017 and 2018 were prepared by the local auditors, namely 廣西眾拓會計師事務所有限公司 and 中喜會計師事務所(特殊普通合夥)深圳分所 in accordance with the accounting principles generally accepted in the PRC.*

^ *As at the date of this report, no local auditor's report have been issued for these companies, as they have not either carried on any business since their respective date of incorporation or not subject to any statutory audit requirements under the relevant rules and regulations in the PRC. These companies were disposed on 14 August 2019 to the Target Company's immediate holding company.*

1.2 REORGANISATION

In the preparation for the proposed acquisition of the entire equity interest of the Target Company by the Company (the "**Proposed Acquisition**"), the Target Company and other companies comprising the Target Group have undergone a reorganisation (the "**Reorganisation**") pursuant to which group companies engaged in the Business have been transferred to the Target Company during the Track Record Period. The Target Company's principal subsidiaries comprising the Target Group after the completion of the Reorganisation are set out in Note 1.1.

1.3 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Business has been controlled by Mr. Yao Jianhui ("**Mr. Yao**") and Mr. Yao Zhenhua as concert parties. Mr. Yao Zhenhua is the elder brother of Mr. Yao. Pursuant to the Reorganisation, the Business was transferred to and held by the Target Company. The Target Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation with no change in management of such business and the ultimate controlling parties remain the same. Accordingly, the Target Group resulting from the Reorganisation is regarded as a continuation of the business conducted by the Target Group and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial information of the Target Group, with the assets and liabilities of the Target Group recognised and measured at the carrying amounts of the business under the consolidated financial information of the Target Group for all years presented.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the HKICPA. The Historical Financial Information and Stub Period Comparative Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of significant accounting judgements and estimates. Although these judgements and estimates are based on the management's best knowledge, judgements and estimates of current events and actions, actual results maybe ultimately differ from those judgements and estimates. The areas involving a high degree of judgement or complexity, or areas whose assumptions and estimates are significant to the Historical Financial Information are set out in Note 4.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the Historical Financial Information, the Target Group has adopted all of applicable new and revised HKFRSs during the Track Record Period as set out in the significant accounting policies in Note 3, together with relevant transitional provisions including HKFRS 9 Financial Instruments ("**HKFRS 9**"), HKFRS 15 Revenue from contracts with customers ("**HKFRS 15**") and HKFRS 16 Leases ("**HKFRS 16**") and related amendments of those standards have been early adopted from 1 January 2016 except for any new amendments that are not yet effective for the financial period beginning on or after 1 January 2020.

(b) Basis of measurement and going concern assumptions

The Historical Financial Information and Stub Period Comparative Historical Financial Information have been prepared under the historical cost basis except for the investment properties which is measured at fair values as described in the significant accounting policies in Note 3.

The Target Group had recorded net current liabilities and capital deficiency of approximately RMB891,968,000 and RMB694,671,000 as at 31 August 2019 respectively and the Target Company had recorded net current liabilities of approximately RMB1,619,000 as at 31 August 2019. The Target Group and the Target Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding this, the going concern basis has been adopted after taking into account the following measures:

(a) Mr. Yao has confirmed to provide continuing financial support to the Target Group and the Target Company before the completion of the Proposed Acquisition so as to enable the Target Group and the Target Company to meet its obligation and liabilities as and when they fall due and to continue its day-to-day business operations as a going concern;

(b) a trust loan facility up to RMB2 billion obtained from an independent third party as a liquidity cushion for operating cash flows, of which the trust loan facility is available to draw down (Note 21); and

(c) Glory Sun Land Group Limited ("Glory Sun Land"), a subsidiary of the Company and being the new intermediate holding company of the Target Company after completion of the Proposed Acquisition has confirmed, upon the completion of the Proposed Acquisition, it has the ability and intention to maintain the going concern of the Target Group and the Target Company, on a need basis, for the foreseeable future to enable the Target Group and the Target Company to meet its obligation and liabilities as and when they fall due and to continue day-to-day business operations as going concern.

Should the Target Group and the Target Company be unable to continue in business as a going concern, adjustments would have to be made to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

(c) Functional and presentation currency

The Historical Financial Information and Stub Period Comparative Historical Financial Information are presented in RMB, which is also the functional currency of the Target Company.

2.2 NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or revised HKFRSs that are potentially relevant to the Target Group's operations, have been issued but are not yet effective for the financial period of the Target Group beginning on or after 1 January 2020 and have not been early adopted:

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of Business[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The Target Group is in the progress of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Group's result of operation and financial positions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to the Track Record Period presented, unless otherwise stated.

(a) Basis of combination and basis of consolidation

The Historical Financial Information comprises the financial statements of the Target Company and its subsidiaries for each of the Track Record Period.

Subsidiaries are entities over which the Target Company has control. The Target Company controls an entity when the Target Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power over the entity, only substantive rights relating to the entity (held by the Target Group and others) are considered.

The Target Group includes the income and expenses of a subsidiary in the Historical Financial Information from the date it gains control until the date when the Target Group ceases to control the subsidiary.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on combination. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case the loss is recognised in profit or loss. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies.

(b) Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment, except for leasehold improvements, are depreciated so as to write off their cost, net of expected residual value, over their estimated useful life on a straight-line basis. For the leasehold improvements are depreciated over their respective lease terms. Their estimated useful life are as follows:

Furniture and office equipment	5 years
Motor vehicles	10 years
Leasehold improvements	Over the remaining lease terms

The residual value, estimated useful life and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period when the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset and are recognised with "other income" in the consolidated statements of comprehensive income.

(d) Properties under development

Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, the Target Group intends to hold for sale purposes. Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of properties under development consist of leasehold land held (Note 3(g)), development expenditures including construction costs, borrowing costs, professional fees, payments for land use rights and other direct costs attributable to the development of such properties.

Properties under development are classified as current assets unless the construction period of the relevant properties development project is expected to complete beyond normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Sales deposits or instalments received and receivable from the purchasers in respect of the pre-sale of properties under development prior to completion of the development are included in current liabilities.

(e) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building cost attributable to unsold properties. Net realisable value is estimated by the Directors of the Target Company based on the prevailing market price on an individual property basis.

(f) Investment properties

Investment properties are properties being constructed held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

When the Target Group holds property interests which has met the definition of investment properties, the Target Group should classify for these property interests as investment properties.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value models, unless they are still in the course of construction or development at the reporting date and their fair value cannot be reliably determined at that time. Gains or losses arising from changes in fair value of the investment properties are included in profit or loss for the period in which they arise.

If an investment property becomes an item of property, plant and equipment because of its usage has changed as evidenced by the commencement of owner-occupation, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

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

(g) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Target Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Cash payments for the principal portion and interests of the lease liability are classified within financing activities. Payments for short-term leases, leases of low-value assets and variable lease payments not included in the measurement of the lease liability, but remain presented within operating activity.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Short-term leases

The Target Group applies the short-term lease recognition exemption to lease of office equipment that have a lease term of 12 months or less from the commencement dates of the lease and do not contain any purchase options included in the leasing agreements. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease terms of the office equipment.

Right-of-use assets

Right-of-use asset is recognised when a lease is capitalised is initially measured at cost, which comprise the following items:

- the amount of initial measurement of lease liability;
- any lease payment made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- estimated present values of restoration and dismantling costs

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses by applying HKAS 36 Impairment of Assets, except for the following categories 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 interests in leasehold land where the interest in the land is held as inventories are carried at lower of cost and net realisable value.

Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the less's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liabilities is subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

- the lease payments changes due to changes in an index or rate or a change in expected payment under a guaranteed residual valuer, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discounted rate, unless the payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or

- a lease contract is modified and the lease modification (as describe below) is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Lease modifications

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

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

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

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

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies HKAS 12 Income Tax requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

(h) Financial assets

The Target Group classifies its financial assets as measured at amortised cost only. Such classification of the Target Group's financial assets at initial recognition depends on the entity's business model for managing the financial assets and the contractual terms of cash flows.

At initial recognition, the Target Group measures its financial asset at fair value plus, in case of a financial asset not at fair value through profit or loss, transaction costs are directly attributable to the acquisition of the financial asset. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase of sale is a purchase or sale of a financial asset under a contract whose terms require deliver of the asset within the time frame established generally by regulation or convention in the market place concerned.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period, the Target Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss:

— The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

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

The financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss in which the period incurred.

Impairment loss on financial assets

The Target Group assesses, on a forward-looking basis, the expected credit loss ("**ECL**") associated with its debt instruments carried at amortised cost. The application of impairment methodology depends on whether there has been a significant increase in credit risk by considering reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's experience and informed credit assessment and including forward-looking information.

Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as per historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors in full without taking into account any collaterals held.

Definition of stages of default of receivables are as follows:

Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition and that are not "credit-impaired" upon origination, the portion of the lifetime ECL associated with probability of default events occurring within next 12 months is recognised.

Stage 2: Exposures where there has been a significant increase in credit risk since initial recognition but are not "credit-impaired, a lifetime ECL (i.e. remaining lifetime of a financial asset) to be recognised.

Stage 3: Exposures is assessed as "credit-impaired" when one or more than one event(s) indicating a detrimental impact on estimated future cash flows of an asset has or have occurred. For exposures that a financial asset has considered as "credit-impaired", a lifetime ECL to be recognised.

Credit-impaired financial assets

At the end of each reporting date, the Target Group assesses whether its financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

— significant financial difficulty of the borrower or issuer;

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

— the restructuring of a loan or advance by the Target Group on terms that the Target Group would not consider otherwise;

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

— the disappearance of an active market for a security because of financial difficulties.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. 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 Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

ECL are a probability-weighted estimate of credit losses and are measured as follow:

— financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Target Group expects to receive); and

— financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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.

Effective interest method

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

(i) Finance liabilities and equity instruments

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Recognition and measurement

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

Financial liabilities at amortised cost including trade and other payables, amounts due to related company, immediate holding company and fellow subsidiaries, and borrowings are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

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

Effective interest method

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

Derecognition

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

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

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(j) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Target Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Target Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measure in accordance with principles of the accounting policies set out in Note 3(h); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(k) Borrowing costs

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

(l) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Current and deferred income tax

The tax expense for the year/period comprises current and deferred income tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

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

Deferred income tax

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 Investment Property. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of economic benefits embodied in the property over time, rather than through sale.

(n) PRC land appreciation tax

PRC land appreciation tax PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. PRC land appreciation tax is recognised as an income tax expense. PRC land appreciation tax paid is a deductible expense for PRC enterprise income tax purposes.

(o) Revenue recognition

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

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

— creates and enhances an asset that the purchaser controls as the Target Group performs; or

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

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

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

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

(i) Sales of properties

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

The Target Group assessed that its property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales is recognised at a point in time.

Deposits and instalments received from purchasers prior to the date of revenue recognition are included in current liabilities as contract liabilities (Note 3(v)).

(ii) Other income

Other income is recognised when it is probable that the economic benefits will flow to the Target Group and when the income can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

(p) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement plan

The employees are required to participate in a central pension scheme operated by the local municipal government. It is required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the period.

(q) Impairment of non-financial assets

At the end of each reporting period, the Target Group and Target Company review the carrying amounts of its non-financial assets including property, plant and equipment and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (i.e. the smallest identified group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation 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 uncertain events not wholly within the control of the Target Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Share capital

Shares issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(t) Related parties

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

(a) has control or joint control over the Target Group;

(b) has significant influence over the Target Group; or

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

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

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

(b) 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);

(c) both entities are joint ventures of the same third party;

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

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

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

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

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

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

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

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

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

(u) Segment reporting

Operating segments and the amounts of each segment item reported in the Historical Financial Information are identified from the financial information provided regularly to the Target Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(v) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Target Group obtains right to receive consideration from the customer and assumes performance obligation to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net contract asset or net contract liability depending on the relationship between the remaining rights and the performance obligations.

A contract asset is recognised when the Target Group transfers a good or performs a service in the contract before receiving consideration from the customer or when the cumulative revenue recognised exceeds cumulative payments made by the customer. A contract asset is transferred to a receive when the right to receive the consideration becomes unconditional. Conversely, a contract liability is recognised when the amounts received from a customer exceed revenue recognised for a contract or when advance payment is received from a customer before a good or service is transferred. A contract liability would also be recognised if the Target Group has an unconditional right to receive consideration before the Target Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Target Group transfers the goods or services to the customers and therefore satisfies its performance obligations. Deposits received on sales of properties are regarded as contract liabilities and presented separately on the face of the consolidated statements of financial position under current liabilities.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The following is the critical judgements, apart from those involving estimates (see below), that the Directors of the Target Company have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern consideration

The assessment of the going concern assumption involves of making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that both of the Target Group and Target Company have the capability to continue as a going concern and the going concern assumption is set out in Note 2.1.

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

(i) Impairment of receivables

The Target Group makes allowances for receivables based on assumptions about risk of default and expected loss rates. The Target Group used judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Target Group's past history, existing market conditions as well as forward-looking estimates at each reporting date. The management reassesses the impairment of receivables at each reporting date. Where the expectation is different from the original estimate, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed.

(ii) Estimates of current tax and deferred tax

The Target Group is subject to enterprise income tax ("**EIT**"). Significant judgement is required in determining the amount of the provision for taxation, particularly for the PRC land appreciation tax ("**LAT**"), and implementation of these taxes varies amongst in various PRC cities. The Target Group has not finalised its LAT calculations and payments with certain local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of the land appreciation and its related LAT. The Target Group recognised EIT and LAT based on the management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will affect the tax expenses in the period of which the tax calculations are finalised with the local tax authorities.

(iii) Net realisable value of properties under development

The management determines that the net realisable value of the properties under development which involves, inter-alia, considerable estimation based on the analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales taking into account economic factors and government measures and policies. If the actual net realisable values of the underlying properties are less than the previous estimations as a result of change in market condition, government measures and policies and/or significant variation in the budgeted development cost, allowance for inventories of properties may result.

(iv) Useful lives and impairment of property, plant and equipment

The Management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances which indicates the carrying value may not be recoverable in accordance with the Target Group's accounting policies as set out in Note 3. The recoverable amount of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value-in-use, the calculations of which involve the use of estimates from the management.

(v) Fair value of investment properties

Investment properties including land, completed and non-completed properties and are revalued at the end of each reporting period by independent professionally qualified valuers. For completed properties or land which is under preliminary development stage, direct comparison method is adopted based on prices realised on actual sales and/or asking prices of comparable properties. For non-completed properties, the valuer assume they will be developed and completed in accordance with the latest development proposals provided by the Management, direct comparison method is also adopted by making reference to comparable sales evidence as available in the property market and has taken into account the expended construction costs and costs that will be expended to complete the development.

Investment properties for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

For the investment properties that is recognised in the Historical Financial Information on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5. SEGMENT INFORMATION

The Target Group operates only one business segment that is engaged in properties development in the PRC during the Track Record Period. Accordingly, no further disclosures by reportable segment based on business segment are made.

All of the Target Group's assets are located in the PRC. Accordingly, no further disclosures by reportable segment based on geographical areas are made.

6. REVENUE AND OTHER INCOME

Revenue represents proceeds from the sales of properties. The amounts of revenue recognised during the Track Record Period are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales of properties	131,767	25,129	534,535	499,913	8,909
Time of revenue recognition:					
At a point in time	131,767	25,129	534,535	499,913	8,909

All customers of the Target Group are domiciled in PRC.

An analysis of the Target Group's other income is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	337	170	120	12	38
Imputed interest income of borrowings	—	—	—	—	274,131
Others	243	454	98	149	280
	580	624	218	161	274,449

7. FINANCE COSTS

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses on financial asset and liabilities stated at amortised cost:					
Imputed interest expenses of loan receivable	—	—	—	—	124,130
Borrowings	27,560	59,272	9,614	6,727	8,200
Less: Interest expenses capitalised in properties under development	(27,560)	(59,272)	(9,614)	(6,727)	(8,200)
	—	—	—	—	124,130

During the year ended 31 December 2016, 2017 and 2018, and the eight months ended 31 August 2019, the weighted average capitalisation rate of borrowings were 10.98%, 16.84%, 8.59%, 0.71% per annum.

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Year ended 31 December			Eight months ended 31 August	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Auditor's remuneration	460	460	460	—	—
Depreciation of property, plant and equipment	512	731	1,277	851	1,325
Write off of property, plant and equipment	—	12	—	—	18
Loss on disposal of property, plant and equipment	—	92	—	—	—
Penalty charges *(Note)*	—	243,897	109,775	109,775	—
Operating lease charges in respect of lease arrangements	18	14	8	5	11
Employee costs (including director's emoluments) *(Note 9)*:					
Salaries and other benefits	12,317	13,284	17,081	11,385	8,079
Pension scheme contributions	2,942	3,820	3,814	2,412	2,471
Total employee costs	15,259	17,104	20,895	13,797	10,550

Note: The amount of penalty charges represent the delay in handover of commercial properties in the PRC paid to the purchasers, the subsidiaries of Foresea Life Insurance Co., Ltd. ("**Foresea Life**") (前海人壽保險股份有限公司) which Mr. Yao Zhenhua, the elder brother of Mr. Yao is beneficially interested in 51% of the equity of Foresea Life.

9. DIRECTOR'S EMOLUMENTS

During the Track Record Period, the director of the Target Company did not receive any fee or other emoluments in respect of her services provided to the Target Group. In addition, no emoluments paid or payable by the Target Group were waived and no emoluments were paid by the Target Group to the director as an inducement to join or upon joining the Target Group or as a compensation for loss of office during the Track Record Period.

10. INCOME TAX EXPENSE

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
EIT					
— Provision for the year/period	4,986	158	25,629	17,086	—
— Deferred income tax *(Note 23)*	48,008	35,068	1,080	968	843
	52,994	35,226	26,709	18,054	843
LAT					
— Provision for the year/period	3,620	665	1,700	610	221
— Deferred income tax *(Note 23)*	1,207	221	566	378	74
	4,827	886	2,266	988	295
Total income tax expense	57,821	36,112	28,975	19,042	1,138

The Target Group is subject to EIT, which is provided on the estimated assessable profits of the subsidiaries operating in the PRC at 25% during the Track Record Period. No provision for EIT has been made as the subsidiaries of the Target Company does not generate any assessable profits during the Track Record Period.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation value, with certain allowable deductions.

The income tax expense can be reconciled to the profit/(loss) before income tax per the consolidated statements of comprehensive income during the Track Record Period as follows:

	Year ended 31 December			Eight months ended 31 August	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit/(loss) before income tax	161,573	(101,531)	(23,837)	(25,101)	137,242
Tax calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned	40,393	(25,383)	(5,959)	(6,275)	34,311
Tax effect of non-deductible expenses	12,654	64,035	34,102	27,692	38,697
Provision for LAT	3,620	665	1,700	610	221
Tax effect on EIT of LAT payable	905	166	425	153	55
Tax effect of tax losses not recognised	1,167	—	810	540	1,934
Utilisation of tax losses previously not recognised	—	(1,167)	—	—	—
Tax effect of non-taxable income	(918)	(2,204)	(2,103)	(3,678)	(74,080)
Total income tax expense	57,821	36,112	28,975	19,042	1,138

11. DIVIDEND

No dividend has been paid or declared by the Target Company during the Track Record Period.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2016	1,198	1,061	—	2,259
Addition	253	—	2,010	2,263
At 31 December 2016 and 1 January 2017	1,451	1,061	2,010	4,522
Addition	3	—	—	3
Disposal	—	(389)	—	(389)
Write off	(12)	—	—	(12)
At 31 December 2017 and 1 January 2018	1,442	672	2,010	4,124
Addition	99	—	2,721	2,820
At 31 December 2018 and 1 January 2019	1,541	672	4,731	6,944
Addition	105	—	529	634
Write off	(30)	—	—	(30)
Eliminated on disposal of subsidiaries *(Note 29)*	(124)	—	—	(124)
At 31 August 2019	1,492	672	5,260	7,424
Accumulated depreciation:				
At 1 January 2016	459	206	—	665
Charge for the year	244	101	167	512
At 31 December 2016 and 1 January 2017	703	307	167	1,177
Charge for the year	240	89	402	731
Disposal	—	(145)	—	(145)
At 31 December 2017 and 1 January 2018	943	251	569	1,763
Charge for the year	244	64	969	1,277
At 31 December 2018 and 1 January 2019	1,187	315	1,538	3,040
Charge for the period	92	43	1,190	1,325
Write off	(12)	—	—	(12)
Eliminated on disposal of subsidiaries *(Note 29)*	(118)	—	—	(118)
At 31 August 2019	1,149	358	2,728	4,235
Net carrying amount:				
At 31 December 2016	748	754	1,843	3,345
At 31 December 2017	499	421	1,441	2,361
At 31 December 2018	354	357	3,193	3,904
At 31 August 2019	343	314	2,532	3,189

13. INVESTMENT PROPERTIES

	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair Value				
At beginning of the year/period	651,600	897,600	1,261,100	1,379,100
Addition during the year/period	53,967	218,762	113,679	91,529
Fair value gain	192,033	144,738	4,321	3,371
At end of the year/period	897,600	1,261,100	1,379,100	1,474,000

The Target Group's investment properties including investment properties under construction in the PRC were currently held for capital appreciation and/or rental purpose and revalued by Valtech Valuation Advisory Limited, independent professional qualified valuers, as at 31 December 2016, 2017, 2018 and 31 August 2019. The fair valuation of properties were derived from direct comparison method classified as Level 3 as defined in Note 3(v). For investment properties under construction, the valuer assume they will be developed and completed in accordance with the latest development proposals provided by the management with reference to comparable sales evidence as available in the property market and has taken into account the expended construction costs and costs that will be expended to complete the development project.

As at 31 December 2018, completed properties with an aggregate value of approximately RMB127,237,000 was pledged to secure the general banking facility of the Target Group and released after the repayment during 2019 as disclosed in Note 21.

According to state-owned land use rights grant contracts dated in September 2013 and April 2014 and supplementary state-owned land use rights grant contracts dated in May, July and October 2014, these respective parcels of land for the property development projects of Guangxi Shengze and Guangxi Baohui were required to be completed by 6 March 2017 and 30 June 2017 respectively. As of the end of reporting period, the development was still under construction. A failure to meet any development milestones contained in the relevant state-owned land use rights grant contracts may lead to a daily penalty of 0.01% of the consideration of state-owned land use rights grant contracts in according with the terms of state-owned land use rights grant contracts. The Target Group had made submission to relevant land authority on application of extension of completion of development on the ground that such delay has been due to various reasons beyond its control. On 12 October 2019, the relevant land authority entered into an agreement with Guangxi Shengze which agreed to postpone the completion date of development to 21 March 2020. As advised by the Target Group, there was no formal written notice has been served to Guangxi Baohui by the relevant land authority in respect of the possible breach of state-owned land use rights grant contracts and the relevant land authority has verbally agreed to postpone the completion date to a later date without imposing any penalty. Up to the date of this report, the Target Group is still waiting for the written notice of extension from the relevant land authority. After consultation with the Company's PRC legal advisor of Glory Sun Land Group Limited, a subsidiary of the Company, and taking into account the current status of the construction, the directors consider no provision in respect of the possible breach of state-owned land use rights grant contracts is required to be recognised as of the end of each reporting period.

The following table illustrates the fair value measurement hierarchy of the Target Group's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)			
	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair Value				
At beginning of the year/period	651,600	897,600	1,261,100	1,379,100
Addition during the year/period	53,967	218,762	113,679	91,529
Fair value gain	192,033	144,738	4,321	3,371
At end of the year/period	897,600	1,261,100	1,379,100	1,474,000

The following table shows significant unobservable inputs used by Valtech Valuation Advisory Limited in its valuation models for the investment properties as at 31 December 2016, 2017, 2018 and 31 August 2019:

			Range			
				As at 31 December		As at 31 August
Type of properties	**Valuation approach**	**Significant observable inputs**	**2016**	**2017**	**2018**	**2019**
Residential and commercial properties	Direct comparison method	Average market price (RMB/sq.m)	1,405–2,295	2,205–2,477	2,315–2,523	2,407–2,536
		Expended construction cost (RMB/sq.m)	3,085	4,358	4,651	5,342
		(Discount)/premium on characteristics of properties	1%-3%	—4%-6%	—2%-8%	—14%-15%

The valuations of investment properties take into account of the underlying characteristics of properties including the location, size, usage, quality and timing of comparable transactions used.

A significant increase/(decrease) in the premium/(discounts) on characteristics of properties, average market price per square metre and expanded construction cost would result in significantly higher/(lower) of the fair value of investment properties. There was no change in the valuation technique used by the property valuer and fair value measurement hierarchy during the Track Record Period. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual usage.

14. PROPERTIES UNDER DEVELOPMENT

		As at 31 December		As at 31 August
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development	1,527,810	1,932,326	1,930,696	2,529,523

Properties under development comprise certain construction and development costs and leasehold interest in land located in the PRC with lease terms ranged from 40 to 70 years.

As at 31 December 2018 and 31 August 2019, certain properties held under development with aggregate carrying value of approximately RMB61,615,000 and RMB80,726,000 were pledged to secure the general banking facilities of the Target Company's related company (Note 21).

As at 31 December 2016, 2017, 2018 and 31 August 2019, the carrying amounts of interests in leasehold land defined as right-of-use asset were included in the carrying amounts of properties under development of approximately RMB694,306,000, RMB628,937,000, RMB503,213,000 and RMB495,667,000.

During the years ended 31 December 2016, 2017, 2018 and eight months ended 31 August 2019, the amounts of depreciation capitalised into the carrying amounts of properties under development were approximately RMB17,136,000, RMB14,832,000, RMB13,692,000 and RMB7,546,000.

For details of the failure to meet the development milestones contained in the relevant state-owned land use right grant contracts are set out in Note 13.

15. PROPERTIES HELD FOR SALE

	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties held for sale	150,521	134,236	111,610	105,974

Properties held for sale included leasehold interests in land located in the PRC with lease terms ranged from 40 to 70 years.

As at 31 December 2016, 2017, 2018 and 31 August 2019, the carrying amounts of interests in leasehold land defined as right-of-use asset were included in the carrying amounts of properties held for sale of approximately RMB91,178,000, RMB78,277,000, RMB74,029,000 and RMB69,052,000.

During the years ended 31 December 2016, 2017, and 2018 and eight months ended 31 August 2019, the amounts of depreciation capitalised into the carrying amounts of properties held for sale were approximately RMB2,384,000, RMB2,767,000, RMB3,960,000 and RMB1,276,000.

As at 31 December 2018 and 31 August 2019, certain properties held for sale with aggregate carrying value of approximately RMB25,177,000 were pledged to secure the general banking facilities of the Target Group (Note 21).

16. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	—	940	—
Other receivables:				
— Prepayments	661,161	729,862	805,044	759,169
— Deposits and other receivable	569,439	49,464	48,170	77,555
— Other tax prepaid	217,614	218,621	197,133	212,521
	1,448,214	997,947	1,051,287	1,049,245

Trade receivables

The trade receivables represent the mortgage receivables from bank arising from one customer. The Target Group did not hold any collateral as security or other credit enhancement over the trade receivables.

The ageing analysis of the Target Group's trade receivables as at the end of each reporting period, based on invoice date is as follows:

	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	—	—	940	—

The Target Group measurers the loss allowance of trade receivables by using HKFRS 9 simplified approach by assuming all of customers shared a similar credit risk characteristics under lifetime ECL calculation. Provision matrix is used to measure the ECL of trade receivables. The default rates are based on past due days by grouping trade customers with similar loss patterns. The calculation reflects the probability-weighted outcomes, time value of money and reasonable and supportable information that is available about past events, current conditions and forecast of future economic conditions. Generally, trade receivables is written off in full if it is past due more than 90 days and not subject to any enforcement activity. During the Track Record Period, the calculated ECL is immaterial to be recognised in the Historical Financial Information.

Further details on the Target Group's credit policy and credit risk from trade receivables are set out in Note 27(ii).

Other receivables

The movements of loss allowance of other receivables during the Track Record Period are as follows:

	As at 31 December			As at 31 August
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	10,276	7,255	48	47
Impairment loss recognised	—	—	—	34
Reversal of impairment loss recognised previously	(3,021)	(7,207)	(1)	—
At end of the year/period	7,255	48	47	81

The ECL calculations of other receivables are based on 12-months ECL calculations that result from possible default events within 12 months after the end of each reporting periods. However, whenever there is any significant increase in credit risk since its initial recognition, the loss allowance will be based on lifetime ECL calculations. When determining whether the credit risk has been increased significantly since its initial recognition, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Target Group's historical experience and informed credit assessment with forward-looking information.

The Target Group did not hold any collateral as security or other credit enhancement over the other receivables.

Further details on the Target Group's credit policy and credit risk from other receivables are set out in Note 27(ii).

17. LOAN RECEIVABLE

	As at 31 December			As at 31 August
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-interest bearing loan receivable	—	—	—	917,833

The loan receivable is due from an independent third party, which is unsecured, non-interest bearing and repayable within five years from the date of advance. The Target Group does not hold any collateral over the loan receivable.

During the eight months ended 31 August 2019, the Target Group has recognised a loss allowance of approximately RMB28,364,000 of which the carrying amount of loan receivable is classified as stage 1 among the stages of default defined in HKFRS 9. Stage 1 indicates that the carrying amount of loan receivable has a limited exposure without a significant increase in credit risk since the initial recognition and not credit-impaired as at the end of reporting period. As a result, the loss allowance of the loan receivable is limited to 12-months ECL.

18. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 August
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	122,184	17,339	19,820	12,604

Cash at banks earns interest at floating interest rates based on daily bank deposit rates in the PRC.

19. TRADE AND OTHER PAYABLES

	As at 31 December			As at 31 August
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	650,526	887,469	986,355	1,170,778
Other payables:				
— Accruals	1,407	2,296	5,243	5,960
— Advanced deposits received	1,270	2,088	3,907	4,494
— Other payables	22,979	255,523	7,372	7,131
	25,656	259,907	16,522	17,585
	676,182	1,147,376	1,002,877	1,188,363

The ageing analysis of trade payables as at the end of each reporting period, based on invoice date, is as follows:

	As at 31 December			As at 31 August
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	578,654	842,853	847,760	978,515
31 to 90 days	—	3,958	15,972	16,344
91 to 180 days	82	309	10,187	53,783
181 to 365 days	70,345	5	20	18,041
Over 365 days	1,445	40,344	112,416	104,095
	650,526	887,469	986,355	1,170,778

20. RELATED PARTIES DISCLOSURES

Target Group

Amounts due from/(to) intermediate holding company/fellow subsidiaries/immediate holding company

As at the end of each reporting period, the amounts due from/(to) intermediate holding company, fellow subsidiaries and immediate holding company are unsecured, interest-free and repayable on demand.

Amounts due from/(to) related companies

As at the end of each reporting period, the amounts due from/(to) related companies listed as follows were unsecured, interest-free and repayable on demand:

Name of related companies	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies				
深圳市寶能投資集團有限公司 ("Shenzhen Baoneng Investments Group Limited*")	1,726,938	1,966,116	1,345,645	—
深圳益明投資有限公司 ("Shenzhen Yiming Investments Limited*")	—	29,550	29,520	—
	1,726,938	1,995,666	1,375,165	—
Amounts due to related companies				
南寧寶能物業服務有限公司 ("Nanning Baoneng Property Services Limited*")	(6)	—	—	—
深圳深業物流集團股份有限公司 ("Shenzhen Shenye Logistic Group Company Limited*")	—	—	(13,829)	—
	(6)	—	(13,829)	—

	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Maximum amount due from related companies during the year/period				
深圳市寶能投資集團有限公司 ("Shenzhen Baoneng Investments Group Limited*")	1,726,938	1,966,116	1,345,645	—
深圳益明投資有限公司 ("Shenzhen Yiming Investments Limited*")	—	29,550	29,520	—
	1,726,938	1,995,666	1,375,165	—

The movements of loss allowance of amounts due from related companies during the Track Record Period are as follows:

	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	—	28,080	30,391	22,136
Impairment loss recognised	28,080	2,311	—	—
Reversal of impairment loss recognised previously	—	—	(8,255)	(22,136)
At end of the year/period	28,080	30,391	22,136	—

The ECL calculations of amounts due from related companies, intermediate holding company and fellow subsidiaries are based on 12-month ECL calculations that result from possible default events within 12 months after the end of each reporting periods. However, whenever there is any significant increase in credit risk since their respective initial recognitions, loss allowances will be based on lifetime ECL calculations. The determination methodology is similar to the balances of other receivables set out in Note 16. Further details on the Target Group's credit policy and credit risk from the amounts due from related companies are set out in Note 27(ii).

Target Company

Amount due to immediate holding company

As at 31 August 2019, the amount due to immediate holding company is unsecured, interest-free and repayable on demand.

Related party transaction

During the Track Record Period, the Target Group did not have any material related party transactions.

Compensation of key management personnel

The Director of the Target Company is the only key management personnel of the Target Company, neither of whom has received emolument in respect of her service rendered to the Target Group during the Track Record Period.

21. BORROWINGS

	As at 31 December 2016	2017	2018	As at 31 August 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Target Group				
Current				
Bank borrowings — secured	—	—	119,000	—
Other borrowings — secured	300,000	202,000	—	163,000
	300,000	202,000	119,000	163,000
Non-current				
Other borrowings — secured	202,000	—	—	—
Other borrowings — unsecured	—	—	21,950	2,138,856
	202,000	—	21,950	2,138,856
Total	502,000	202,000	140,950	2,301,856

	As at 31 December 2016	2017	2018	As at 31 August 2019
Target Group				
Effective interests borne at rates per annum in the range of:				
— fixed-rate secured bank borrowings	N/A	N/A	8.5%	N/A
— fixed-rate secured other borrowings	10.8%	10.8%	N/A	11%-11.5%

The Target Group's borrowings are repayable as follows:

	As at 31 December 2016	2017	2018	As at 31 August 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Target Group				
Within one year	300,000	202,000	119,000	163,000
Within second to fifth year	202,000	—	21,950	2,138,856
	502,000	202,000	140,950	2,301,856

At 31 December 2016 and 2017, the borrowings of approximately RMB502,000,000 and RMB202,000,000 respectively, was carried at a fixed interest rate of 10.8% per annum; pledged by 51% equity interest of the Target Company's subsidiary; guaranteed by the Target Company's immediate holding company, Mr. Yao Jianhui and Mr. Yao Zhenhua; and repayable within two years from the date of advance.

At 31 December 2018, the bank borrowings of approximately RMB119,000,000 was carried at a fixed interest rate of 8.5% per annum; pledged by the properties under development and equity interest of the Target Company's immediate holding company and a related company; guaranteed by the Target Company's intermediate holding company and a related company; and repayable within one year from the date of advance. For the borrowings of approximately RMB21,950,000 was unsecured, interest-free, non-guaranteed and repayable within five years from the date of advance.

At 31 August 2019, one of the borrowings of approximately RMB163,000,000 was carried at a fixed interest rate ranged from 11% to 11.5% per annum; pledged by properties under development (note 14) and entire equity interest of the Target Company's subsidiary; guaranteed by the Target Company's related company; and repayable within one year from the date of advance. This represents a trust loan facility up to RMB2 billion granted to a subsidiary of the Target Company by 平安信託有限責任公司 (Ping An Trustee Co., Ltd.*, known as "**Ping An**"), an independent third party. The loan period of such facility is at a maximum of 30 months after the advance of that tranche of the Ping An loan. The unutilised amount of such facility is approximately RMB18.37 billion. For another borrowings of approximately RMB2,138,856,000 was unsecured, interest-free, non-guaranteed and repayable within five years from the date of advance.

	As at 31 August 2019
	RMB'000
Target Company	
Non-current	
Borrowing — unsecured	850,938

The borrowing of approximately RMB850,938,000 was unsecured, interest-free, non-guaranteed and repayable within five years from the date of advance.

22. CONTRACT LIABILITIES

	As at 31 December			**As at 31 August**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	3,904,514	3,933,903	3,429,991	3,424,158

Contract liabilities mainly relate to the deposits received from customers for sales of properties, approximately RMB111,039,000, RMB25,129,000, RMB508,914,000 and RMB5,834,000 of the contract liabilities as of 1 January 2016, 2017, 2018 and 2019 were recognised as revenue for the years ended 31 December 2016, 2017 and 2018 and eight months ended 31 August 2019 from the acceptance of properties by customers and the contract liabilities as at 31 December 2016, 2017 and 2018 and 31 August 2019.

As at 31 December 2016, 2017 and 2018 and 31 August 2019, contract liabilities or the aggregated amount of the deposits received from the remaining performance obligation under the Target Group's existing contracts were approximately RMB3,904,514,000, RMB3,933,903,000, RMB3,429,991,000 and RMB3,424,158,000. These amounts represent revenue expected to be recognised in the future from the acceptance of properties by customers. The Target Group will recognise the expected revenue in the future.

Included in contract liabilities of approximately RMB3,424,158,000 were deposits received on sales of properties in relation to pre-sale contracts signed in November 2014 with subsidiaries of Foresea Life.

23. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for the consolidated statement of financial positions purposes:

	As at 31 December 2016	2017	2018	As at 31 August 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	44,332	35,852	34,536	33,987
Deferred tax liabilities	(65,349)	(92,158)	(92,488)	(92,856)
	(21,017)	(56,306)	(57,952)	(58,869)

The following table shows the major deferred tax (assets)/liabilities recognised by the Target Group and movements thereon during the Track Record Period:

	LAT	Revaluation of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2016	(4,137)	(24,061)	(28,198)
Charge to profit or loss *(Note 10)*	1,207	48,008	49,215
As at 31 December 2016 and 1 January 2017	(2,930)	23,947	21,017
Charge to profit or loss *(Note 10)*	221	35,068	35,289
As at 31 December 2017 and 1 January 2018	(2,709)	59,015	56,306
Charge to profit or loss *(Note 10)*	566	1,080	1,646
As at 31 December 2018 and 1 January 2019	(2,143)	60,095	57,952
Charge to profit or loss *(Note 10)*	74	843	917
As at 31 August 2019	(2,069)	60,938	58,869

24. SHARE CAPITAL

The Target Company was incorporated on 25 March 2019 in the PRC with a registered share capital of RMB100,000,000. According to the latest Article of Association of the Target Company, the shareholder of the Target Company is required to pay the registered share capital on or before 19 March 2029.

25. RESERVES

Target Group

The amounts of the Target Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statements of changes in equity on pages II-8 of this report.

(a) Merger reserve

The merger reserve of the Target Group represents the capital contribution by the shareholder of the Target Company. Details of the Reorganisation refer to Note 1.2.

(b) Other reserve

The other reserve of the Target Group represents the gains or losses arising from disposal of subsidiaries to its immediate holding company and that did not result in change of control.

(c) Retained earnings/accumulated losses

The retained earnings or accumulated losses represents the cumulative net gains or losses recognised in profit and loss.

(d) Statutory reserve

The statutory reserve represents the appropriation of profit of the companies among the Target Group to non-distributable reserve fund account as required by the relevant PRC regulations. In accordance with the PRC accounting standards and regulations and the respective articles of association of these companies, they are required to appropriate an amount not less than 10% of profit after income tax each year to the statutory reserve, until the balance of the statutory reserve reaches 50% of the registered capital of these companies. The transfer of this reserve must be made before the distribution of dividend to their respective shareholders. The statutory reserve is non-distributable other than upon the liquidation of these companies.

Target Company

	Retained earnings *RMB'000*
At the date of incorporation	—
Profit and total comprehensive income for period	107,443
At 31 August 2019	107,443

26. COMMITMENTS

(i) Capital commitments

At the end of each reporting period, the Target Group has the following capital commitment arising from the construction contracts signed but remained unpaid with the contractors as follows:

	As at 31 December			**As at 31 August**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
Properties under development	2,185,000	1,831,000	1,703,000	1,549,000

(ii) Operating lease commitments

The Target Group is the lessee in respect of office equipment classified as property, plant and equipment under operating lease arrangements and exempted to be recognised as right-of-use assets due to nature of short-term leases and low value of assets. The minimum operating lease charges in respect of those lease arrangements are set out in Note 8.

27. FINANCIAL RISK MANAGEMENT

The main risks arising from the Target Group's financial instruments include interest rate risk, credit risk, foreign currency risk and liquidity risk. The Target Group has no significant exposures to other financial risks except as disclosed below. The Director of the Target Company reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Interest rate risk

The Target Group's interest rate risk arises primarily from its borrowings as disclosed in Note 21. Borrowings were issued at fixed interest rates which expose the Target Group to fair value interest rate risk. The Target Group has no cash flow interest rate risk as there is no borrowings which bear floating interest rates. The Target Group has not used any financial instruments to hedge potential fluctuations in interest rates.

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. Target Group's exposure to credit risk mainly arises from its financial assets, including trade and other receivables, loan receivable, amounts due from related companies, intermediate holding company and fellow subsidiaries and cash and cash equivalents.

The Target Group continuously monitors defaults of counterparties, identified either individually or by group by incorporating with their past history of repayments, and taking into account information specific to the counterparties as well as the economic environment where they operate. information into its credit risk controls. The Target Group's policy is to deal only with creditworthy counterparties. The Target Group's cash and bank at each reporting date are mainly maintained with authorised banks in the PRC.

The credit risk for cash at banks is considered as negligible since the counterparties are reputable banks with high quality external credit rating.

At 31 December 2016, 2017, 2018 and 31 August 2019, except for loan receivable and trade receivable arise from one single counterparty respectively, there was no concentration of credit risk arise from the remaining receivables.

Financial guarantee contracts

The principle risk to which the Target Group exposed is credit risk in connection with financial guarantees issued in respect of mortgage facilities arranged for certain buyers of the Target Group's properties. The credit risk mainly represents potential losses that will be recognised upon default of repayments of these buyers to which the guarantees were given on behalf of. To mitigate such credit risk, the management continually monitors and has established relevant policies not limited to performing credit evaluations on those buyers. As if they breach their underlying mortgage facilities granted by those banks, the maximum exposures of credit risk in respect of such financial guarantees arrangement as at 31 December 2016, 2017, 2018 and 31 August 2019 are disclosed in Note 30.

There are no terms and conditions attached to any financial guarantee contracts that would have a material impact on the timing, uncertainty and amount of future cash flows of the Target Group during the Track Record Period.

Loss allowance calculation of trade receivables

The Target Group applies the simplified approach to measure the ECL of trade receivables under HKFRS 9, which permits the use of lifetime ECL assessment. At the end of reporting period, the estimated ECL is immaterial to be recognised in the Historical Financial Information as set out in Note 16.

Loss allowance calculations of other receivables, loan receivable and amounts due from related companies/intermediate holding company/fellow subsidiaries

For the loss allowance recognised or reserved for the balances of other receivables, loan receivable and amounts due from related companies, intermediate holding company and fellow subsidiaries during the Track Record Period are subject to 12-months ECL assessments as set out in Notes 16 and 20 respectively. The loss allowance calculations are limited to 12-months calculation classified as stage 1 of the ECL model given that there are limited exposures of individual balances assessed individually, which there have not been a significant increase in credit risks since its initial recognition and not credit-impaired at the end of each reporting periods. The calculations of ECLs are the portion of lifetime ECLs associated with the average probability of default events occurring within the next 12 months recognised or reversed in profit or loss.

As at 1 January 2016 and 31 December 2016, 2017, 2018 and 31 August 2019, the average default rates of other receivables are approximately 1.3%, 1.2%, 0.2%, 0.1% and 0.1% respectively.

As at 31 August 2019, the default rate of loan receivable is approximately 2.7%.

As at 31 December 2016, 2017 and 2018, the average default rates of amounts due from related companies are approximately 1.6%, 1.5% and 1.6% respectively.

The result of loss allowance calculation of amounts due from intermediate holding company and fellow subsidiaries are immaterial to be recognised during the Track Record Period.

None of the Target Group's financial assets is secured by collateral or other credit enhancements.

(iii) Foreign currency risk

The foreign currency risk exposure against the Target Group is minimal as all of the transactions arising from the Target Group are carried out in RMB.

(iv) Liquidity risk

The Target Group is exposed to liquidity risk in respect of settlement of its financial liabilities and its cash flow management. The Target Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Target Group had recorded net current liabilities and capital deficiency of approximately RMB891,968,000 and RMB694,671,000 as at 31 August 2019 respectively and the Target Company had recorded net current liabilities of approximately RMB1,619,000 as at 31 August 2019. The liquidity of the Target Group and the Target Company is dependable on the continuing financial support to the Target Group and Target Company before the completion of the Proposed Acquisition from Mr. Yao. In addition, a trust loan facility up to RMB2 billion obtained from a recognised financial institution in the PRC is a liquidity cushion for operating cash flows, of which the trust loan facility is available to draw down. After the Proposed Acquisition, Glory Sun Land has also confirmed upon the completion of the Proposed Acquisition, it has the ability and intention to maintain the going concern of the Target Group and the Target Company, on a need basis, for the foreseeable future. These measures can enable both Target Group and Target Company to meet its obligation and liabilities as and when they fall due and to continue day-to-day business operations as a going concern.

The Target Group has not recognised the guarantees issued in respect of the mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Target Group's properties as disclosed in Note 30. The amounts included in the below table for financial guarantee contracts are the maximum amounts which the Target Group could be required to settle under the aforesaid arrangement for full amounts of guarantees provided as if these amounts are claimed by any counterparties related to the guarantees. Based on management expectations, they consider that it is more likely than no amount will be payable under guarantees arrangement (Note 27(ii)). However, this estimate is subject to change depending on the probability of the counterparty who will claim their losses and damages under the guarantees arrangement that the guaranteed financial receivables held by the counterparties who suffer credit losses.

The following tables show the remaining contractual maturities at each reporting date of the Target Group's financial liabilities, based on undiscounted cash flows and the earliest date the Target Group can be required to pay.

Target Group

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2016			
Trade and other payables	676,182	676,182	676,182
Amounts due to related companies	6	6	6
Amount due to immediate holding company	1,070,613	1,070,613	1,070,613
Borrowings	502,000	556,251	556,251
	2,248,801	2,303,052	2,303,052
Financial guarantee contracts issued — Maximum amount guaranteed	—	355,848	355,848

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2017			
Trade and other payables	1,147,376	1,147,376	1,147,376
Amount due to immediate holding company	1,447,759	1,447,759	1,447,759
Borrowings	202,000	208,515	208,515
	2,797,135	2,803,650	2,803,650
Financial guarantee contracts issued — Maximum amount guaranteed	—	363,357	363,357

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018				
Trade and other payables	1,002,877	1,002,877	1,002,877	—
Amounts due to related companies	13,829	13,829	13,829	—
Amount due to immediate holding company	1,608,653	1,608,653	1,608,653	—
Amounts due to fellow subsidiaries	27,296	27,296	27,296	—
Borrowings	140,950	149,112	121,949	27,163
	2,793,605	2,801,767	2,774,604	27,163
Financial guarantee contracts issued — Maximum amount guaranteed	—	372,668	372,668	—

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 August 2019				
Trade and other payables	1,188,363	1,188,363	1,188,363	—
Amount due to immediate holding company	818	818	818	—
Amounts due to fellow subsidiaries	131	131	131	—
Borrowings	2,301,856	2,611,295	176,826	2,434,469
	3,491,168	3,800,607	1,366,138	2,434,469
Financial guarantee contracts issued — Maximum amount guaranteed	—	373,608	373,608	—

Target Company

	Carrying amount	Total contractual undiscounted cash flow	Within 1 yer or on demand	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 August 2019				
Borrowing	850,938	966,734	—	966,734

(v) Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of each reporting periods are as follows:

Target Group

	As at 31 December			As at 31 August
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At amortised costs:				
Trade and other receivables	569,439	49,464	49,110	77,555
Loan receivable	—	—	—	917,833
Amounts due from related companies	1,726,938	1,995,666	1,375,165	—
Amount due from intermediate company	35,005	—	—	—
Amounts due from fellow subsidiaries	82,174	72,080	—	—
Cash and cash equivalents	122,184	17,339	19,820	12,604
	2,535,740	2,134,549	1,444,095	1,007,992

	As at 31 December			As at 31 August
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
At amortised costs:				
Trade and other payables	676,182	1,147,376	1,002,877	1,188,363
Amount due to immediate holding company	1,070,613	1,447,759	1,608,653	818
Amounts due to fellow subsidiaries	—	—	27,296	131
Amounts due to related companies	6	—	13,829	—
Borrowings	502,000	202,000	140,950	2,301,856
	2,248,801	2,797,135	2,793,605	3,491,168

Target Company

	As at 31 December			As at 31 August
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At amortised costs:				
Cash and cash equivalents	—	—	—	61

	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
At amortised costs:				
Amount due to immediate holding company	—	—	—	300
Borrowings	—	—	—	850,938
	—	—	—	851,238

The carrying amounts of the Target Group's and Target Company's financial instruments that are not measured at fair value are approximate to their fair values.

(vi) Capital management

The Target Group's capital management objectives include:

(i) to safeguard the Target Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) to support the Target Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Target Group's risk management capability.

The Target Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Target Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The capital structure of the Target Group consists of debts, which include borrowings only; and equity attributable to the owner of the Target Company comprising issued share capital and various reserves.

The director reviews the capital structure on a continuous basis. As part of this review, the director considers the cost of capital and the risks associated the share capital. The Target Group will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts. The Target Company does not adopt any formal dividend policy.

The debts-to-equity ratio as at 31 December 2016, 2017, 2018 and 31 August 2019 were as follows:

	As at 31 December			As at 31 August
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debts:				
Borrowings	502,000	202,000	140,950	2,301,856
Equity	(32,448)	(170,091)	(222,903)	(694,671)
Debts to equity ratio	15.47	1.19	0.63	3.31

Except as disclosed in Note 25 on statutory reserve, the Target Group is not subject to any other externally imposed capital requirements during the Track Record Period.

The management obtains consent from various parties as set out in Note 2.1 to provide continuing financial support so as to enable the Target Group and the Target Company before or after the Proposed Acquisition to enable they have the ability to meet their obligation and liabilities as and when they fall due and to continue day-to-day business operations for capital management purpose.

28. NOTES SUPPORTING CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Borrowings	Amounts due to related companies	Amount due to immediate holding company	Amount due to intermediate holding company	Amounts due to fellow subsidiaries	Interest payable
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016	—	32,781	568,535	321,000	3,209,448	—
Financing cash flows:						
Proceeds from borrowings	502,000	—	—	—	—	—
Repayments to related companies	—	(32,775)	—	—	—	—
Advance from immediate holding company	—	—	502,078	—	—	—
Repayment to intermediate holding company	—	—	—	(321,000)	—	—
Repayments to fellow subsidiaries	—	—	—	—	(3,209,448)	—
Interest paid	—	—	—	—	—	(27,560)
Total financing cash flows	502,000	(32,775)	502,078	(321,000)	(3,209,448)	(27,560)
Other change:						
Interest expense	—	—	—	—	—	27,560
Total changes	502,000	(32,775)	502,078	(321,000)	(3,209,448)	—
As at 31 December 2016 and 1 January 2017	502,000	6	1,070,613	—	—	—

	Borrowings	Amounts due to related companies	Amount due to immediate holding company	Amount due to intermediate holding company	Amounts due to fellow subsidiaries	Interest payable
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financing cash flows:						
Repayments of borrowings	(300,000)	—	—	—	—	—
Repayments to related companies	—	(6)	—	—	—	—
Advance from immediate holding company	—	—	377,146	—	—	—
Interest paid	—	—	—	—	—	(59,272)
Total financing cash flows	(300,000)	(6)	377,146	—	—	—
Other change:						
Interest expense	—	—	—	—	—	59,272
Total changes	(300,000)	(6)	377,146	—	—	—
As at 31 December 2017 and 1 January 2018	202,000	—	1,447,759	—	—	—
Financing cash flows:						
Proceeds from borrowings	119,000	—	—	—	—	—
Repayments of borrowings	(202,000)	—	—	—	—	—
Advances from related companies	—	13,829	—	—	—	—
Advance from immediate holding company	—	—	160,894	—	—	—
Advances from fellow subsidiaries	—	—	—	—	49,246	—
Interest paid	—	—	—	—	—	(9,614)
Total financing cash flows	(83,000)	13,829	160,894	—	49,246	(9,614)
Other changes:						
Assignment of debt from a fellow subsidiary to an external party *(Note i)*	21,950	—	—	—	(21,950)	—
Interest expense	—	—	—	—	—	9,614
Total changes	(61,050)	13,829	160,894	—	27,296	—
As at 31 December 2018 and 1 January 2019	140,950	13,829	1,608,653	—	27,296	—

	Borrowings	Amounts due to related companies	Amount due to immediate holding company	Amount due to intermediate holding company	Amounts due to fellow subsidiaries	Interest payable
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financing cash flows:						
Proceeds from borrowings	163,000	—	—	—	—	—
Repayments of borrowings	(119,000)	—	—	—	—	—
Repayments to related companies	—	(13,570)	—	—	—	—
Repayment to immediate holding company	—	—	(438,575)	—	—	—
Advances from fellow subsidiaries	—	—	—	—	155	—
Interest paid	—	—	—	—	—	(8,200)
Total financing cash flows	44,000	(13,570)	(438,575)	—	155	(8,200)
Other changes:						
Assignment of debt from immediate holding company to an external party *(Note ii)*	850,938	—	(850,938)	—	—	—
Assignment of debt from a fellow subsidiary to an external party *(Note iii)*	24,216	—	—	—	(24,216)	—
Assignment of debt from immediate holding company to an external party *(Note iv)*	1,353,308	—	(1,353,308)	—	—	—
Assignments of debts from an external party to immediate holding company *(Note v)*	—	—	1,070,327	—	—	—
Disposal of subsidiaries *(Note 29)*	—	(259)	—	—	—	—
Imputed interest income	(111,556)	—	(159,471)	—	(3,104)	—
Interest expense	—	—	124,130	—	—	8,200
Total changes	2,160,906	(13,829)	(1,607,835)	—	(27,165)	—
As at 31 August 2019	2,301,856	—	818	—	131	—

	Borrowings *RMB'000*	Amounts due to related companies *RMB'000*	Amount due to immediate holding company *RMB'000*	Amounts due to fellow subsidiaries *RMB'000*	Interest payable *RMB'000*
As at 1 January 2018	202,000	—	1,447,759	—	—
Financing cash flows:					
Repayments of borrowings	(202,000)	—	—	—	—
Advances from related companies	—	107,941	—	—	—
Advance from immediate holding company	—	—	136,160	—	—
Advances from fellow subsidiaries	—	—	—	49,331	—
Interest paid	—	—	—	—	(6,727)
Total financing cash flows	(202,000)	107,941	136,160	49,331	(6,727)
Other changes:					
Assignment of debt from a fellow subsidiary to an external party *(Note i)*	21,950	—	—	(21,950)	—
Interest expense	—	—	—	—	6,727
Total changes	(180,050)	107,941	136,160	27,381	—
As at 31 August 2018 (unaudited)	21,950	107,941	1,583,919	27,381	—

Notes:

(i) On 1 January 2018, the Target Group signed a loan agreement with its fellow subsidiary to confirm the outstanding loan amount previously borrowed from the fellow subsidiary of approximately RMB21,950,000. On 2 January 2018, the Target Group signed a loan transfer agreement with its fellow subsidiary and an independent third party, which agreed to transfer the ownership right of loan payable to the independent third party than the fellow subsidiary. As a result, the aforesaid loan has been classified as borrowings detailed in Note 21.

(ii) On 1 July 2019, the Target Group signed a loan agreement with its intermediate holding company to confirm the outstanding loan amount previously borrowed from the intermediate holding company of approximately RMB960,000,000. On 2 July 2019, the Target Group signed a loan transfer agreement with its intermediate holding company and an independent third party, which agreed to transfer the ownership right of loan payable to the independent third party than the intermediate holding company. As a result, the aforesaid loan has been classified as borrowings detailed in Note 21.

(iii) On 30 June 2019, the Target Group signed a loan agreement with its fellow subsidiary to confirm the outstanding loan amount previously borrowed from the fellow subsidiary of approximately RMB27,320,000. On 1 July 2019, the Target Group signed a loan transfer agreement with its fellow subsidiary and an independent third party, which agreed to transfer the ownership right of loan payable to the independent third party than the fellow subsidiary. As a result, the aforesaid loan has been classified as borrowings detailed in Note 21.

(iv) On 9 August 2019, the Target Group signed a loan agreement with its immediate holding company to confirm the outstanding loan amount previously borrowed from the immediate holding company of approximately RMB1,403,717,000. On 10 August 2019, the Target Group signed a loan transfer agreement with its immediate holding company and an independent third party, which agreed to transfer the ownership right of loan payable to the independent third party than the immediate holding company. As a result, the aforesaid loan has been classified as borrowings detailed in Note 21.

(v) On 28 August 2019, the Target Group signed a loan agreement with its immediate holding company to confirm the outstanding loan amount previously lent to its immediate holding company of approximately RMB1,070,327,000. On 29 and 30 August 2019, the Target Group signed a loan transfer agreement with its immediate holding company and an independent third party, which agreed to transfer the ownership right of the loan receivable from the independent third party than the immediate holding company. As a result, the aforesaid loan has been classified as loan receivable detailed in Note 17.

29. DISPOSAL OF SUBSIDIARIES

On 14 August 2019, the Target Company disposed three wholly-owned subsidiaries namely, 桂林市寶能房地產開發有限公司 ("桂林市寶能房地產"), 廣西寶能房地產開發有限公司 ("廣西寶能房地產") and 桂林市寶能投資有限公司 ("桂林市寶能投資"), with a total consideration of RMB30,000,000 to the Target Company's immediate holding company, 寶能地產股份有限公司. The net assets of these subsidiaries at the date of disposal were as follows:

For the disposal transaction of 桂林市寶能房地產 at the date of disposal:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	6
Trade and other receivables	2,142
Amount due from a related company	5,770
Cash and cash equivalents	339
Trade and other payables	(96)
Amount due to a related company	(260)
	7,901

	RMB'000
Consideration	10,000
Net assets disposed of	(7,901)
Deemed contribution from shareholder	2,099

For the disposal transaction of 廣西寶能房地產 at the date of disposal:

	RMB'000
Net assets disposed of:	
Trade and other receivables	22
Amount due from a related company	9,883
Cash and cash equivalents	52
	9,957

	RMB'000
Consideration	10,000
Net assets disposed of	(9,957)
Deemed contribution from shareholder	43

For the disposal transaction of 桂林市寶能投資 at the date of disposal:

	RMB'000
Net assets disposed of:	
Amount due from a related company	9,945
Cash and cash equivalents	69
	10,014

	RMB'000
Consideration	10,000
Net assets disposed of	(10,014)
Deemed contribution to shareholder	(14)

As the shareholdings above subsidiaries are transferred to the Target Company's immediate holding company, therefore, the net excess amount of net assets over the consideration payable amounts to approximately RMB2,128,000 treated as deemed contributions from shareholders.

An analysis of net outflow in cash and cash equivalents in respect of the disposal of the above subsidiaries was as follows:

	RMB'000
Cash and cash equivalents disposed of	460

30. FINANCIAL GUARANTEE CONTRACTS

The Target Group has issued guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain buyers of the Target Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Target Group is responsible to repay the outstanding mortgage principles together with accrued interest and penalty owed by the defaulted buyers to the banks and the Target Group is entitled to retain the legal title and take over the possession of the related properties. The guarantee are to be discharged upon the earlier of: (i) issue of the real estate ownership certificates which are generally available within three months after the buyers taking possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the property buyers.

As at 31 December 2016, 2017, 2018 and 31 August 2019, the outstanding guarantees amounted to approximately RMB355,848,000, RMB363,357,000, RMB 372,668,000 and RMB373,608,000 were provided. The management consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principles together with the accrued interest and penalty and therefore no provision has been made in the Historical Financial Information as at 31 December 2016, 2017, 2018 and 31 August 2019 in respect of the guarantees provided.

In the opinion of the management, it is unlikely that any claims will be made against the Target Group and no cash outflow under the financial guarantee contracts at the end of reporting periods, as such the financial impact arising from those contracts is insignificant. Accordingly, they are not accounted for in the Target Group's financial statements.

31. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by the Target Group after 31 August 2019.

III SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 August 2019 and up to the date of this report.

* *The English names are for identification only*

The following management discussion and analysis should be read in conjunction with the accountants' report of Target Group for the year ended 31 December 2016, 31 December 2017, 31 December 2018 and eight months ended 31 August 2019 as set out in Appendix II to this circular.

1. BUSINESS REVIEW

The Target Company is a limited company established in the PRC. The principal activities of the Target Company include investment in industrial development and information consulting. As at the date of this announcement, the Target Company has two subsidiaries, one of which is Guangxi Shengze. Guangxi Shengze is a limited company established in the PRC, the principal activities of which includes real estate development and operations, property services and hotel management.

The Target Group is principally engaged in property development and hold interests in two existing property development projects in Nanning City of Guangxi Province, namely Wuxianghu No. 1 and Wuxiang GFC Project. Wuxianghu No. 1 Project is a composite development project including offices, residential units, commercial facilities and car parking spaces, with site area of approximately 127,000 sq.m and permitted gross floor area of approximately 788,000 sq.m. As at 31 August 2019, the total gross floor area (including public spaces) under development of Wuxianghu No. 1 Project was approximately 407,744 sq.m. and no property unit in the project was pending delivery. It is currently targeted that the project will be completed during the first half year of 2022. Wuxiang GFC Project is a composite development project including offices, a hotel, apartment units, commercial facilities and car parking spaces with site area of approximately 66,675 sq.m and permitted gross floor area of approximately 853,000 sq.m. As at 31 August 2019, T1, T3 and T5 of the Nanning Wuxiang New District Global Financial Centre had already been pre-sold. T1 and T3 was close to completion and T5 was currently under construction and is expected to be completed in late 2019. As at 31 August 2019, the total gross floor area (including public spaces) under development of Wuxiang GFC Project was approximately 561,584 sq.m. and 575 commercial units and 858 apartment units were pending delivery under the project. It is currently targeted that the project will be completed with the commercial units and the hotel beginning operations in or around mid 2021.

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated with the Group.

2. FINANCIAL REVIEW

For the year ended 31 December 2016, 31 December 2017, 31 December 2018 and for the eight months period ended 31 August 2019, the total revenue was approximately RMB131,767,000, RMB25,129,000, RMB534,535,000 and RMB8,909,000 respectively.

The table below shows the breakdown of revenue of the Target Group by residential units and commercial units, and the number, area and average selling price per sq.m. of the two types of units for each of the three years ended 31 December 2018:

	For the year ended 31 December		
	2016	**2017**	**2018**
Revenue *(RMB'000)*			
— Residential units	0	0	483,190
— Commercial units	131,767	25,129	51,345
	131,767	25,129	534,535
No. of units			
— Residential units	0	0	782
— Commercial units	140	19	50
	140	19	832
Area of sold units *(sq.m.)*			
— Residential units	0	0	60,551
— Commercial units	6,598	916	2,679
	6,598	916	63,230
Average selling price per sq.m. *(RMB)*			
— Residential units	0	0	7,980
— Commercial units	19,970	27,437	19,165

For the three years ended 31 December 2018, all revenue of the Target Group were contributed by Wuxianghu No. 1 Project, and no revenue was recognised in respect of the Wuxiang GFC Project.

The significant increase in revenue from 2017 to 2018 was directly caused by the sharp increase in number of units of properties sold from 19 commercial units in 2017 to 782 residential units and 50 commercial units in 2018. The revenue of the Target Group dropped from approximately RMB500 million for the eight months ended 31 August 2018 to approximately RMB8.9 million for the same period in 2019 because of the substantial decline in number of units of properties sold from 782 residential units and 19 commercial units in the first eight months in 2018 to only one residential unit and five commercial units in the first eight months in 2019.

For the year ended 31 December 2016, 31 December 2017, 31 December 2018 and eight months ended 31 August 2019, the gross profit margin was 9%, 35%, 20% and 37% respectively. It was mainly contributed by the sales of properties for respective period. The lower profit margin for the year ended 31 December 2016 was due to lower selling price and higher cost of construction incurred in the early stage.

The Target Group held certain properties under construction in Nanning which were held for investment purpose. For the year ended 31 December 2016, 31 December 2017, 31 December 2018 and for the eight months period ended 31 August 2019, the Target Group recognized a fair value gain on investment properties amounted to approximately RMB192,033,000, RMB144,738,000, RMB4,321,000 and RMB3,371,000 respectively.

For the year ended 31 December 2016, 31 December 2017, 31 December 2018 and for the eight months period ended 31 August 2019, the corporate expenses (including selling, administrative and other expenses) incurred by the Target Group amounted to approximately RMB43,212,000, RMB255,737,000, RMB133,437,000 and RMB19,720,000 respectively. The decrease in corporate expenses for the eight months period ended 31 August 2019 was mainly attributable to the effective cost control measures by the Target Group and the non-existence of the one-off penalty charge due to the delay in handover of commercial properties in the PRC in 2018.

As per above mentioned factors, the Target Group recorded a net profit of approximately RMB103,752,000 for the year ended 31 December 2016, a net loss of approximately RMB137,643,000 and RMB52,812,000 for the year ended 31 December 2017 and 31 December 2018 and a net profit of approximately RMB136,104,000 for the eight months period ended 31 August 2019 respectively.

3. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 August 2019, the Target Group had bank and cash balance of approximately RMB122,184,000, RMB17,339,000, RMB19,820,000 and RMB12,604,000 respectively.

Total borrowings of Target Group as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 August 2019 amounted to approximately RMB502,000,000, RMB202,000,000, RMB140,950,000 and RMB2,301,856,000 respectively, of which were denominated in RMB. The significant increase of the borrowing amount as at 31 August 2019 was mainly due to the grant of a long-term non-interest bearing loan in the sum of approximately RMB2.3 billion to the Target Group. All loans bore fixed interest rates and exposed the Group to fair value interest rate risk.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 August 2019, the Target Group had net current liabilities of approximately RMB710,376,000, RMB1,377,246,000, RMB1,526,005,000 and RMB891,968,000 respectively. The net current liabilities of the Target Group was mainly attributable to short-term debts incurred to finance the real estate business. As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 August 2019, the gearing ratio of the Target Group, which was calculated on the basis of the total borrowings divided by total equity as at the respective reporting date, was approximately 15.47, 1.19, 0.63 and 3.31 respectively.

4. CHARGES OF ASSETS

As at 31 December 2018 and 31 August 2019, the Target Group had properties under development and properties held for sale and investment properties with a carrying amount of approximately, RMB214,029,000 and RMB105,903,000 respectively subject to pledge in favour of a bank to secure the borrowings in relation to the Target Group's real estate business and to secure the general banking facility which allows Jinan Baoneng to borrow up to RMB450 million.

5. CONTINGENT LIABILITIES

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 August 2019, the members of the Target Group guaranteed the payment obligations of buyers under the mortgage loan for the purchase of property units sold by the Target Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by the buyer, the Target Group shall be responsible for paying the outstanding mortgage instalments and penalty owed by the defaulted buyers to the banks, and the Target Group is entitled to assume the legal title and take possession of the related mortgaged properties. The guarantees are to be discharged upon the earlier of (i) issue of the real estate ownership certificate which are generally available within three months after the buyers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the property buyers.

The Board considers that in case of default in payments, the net realisable value of the related mortgaged properties can cover the repayment of the outstanding mortgage instalments and penalty. Hence, the Board considers that the contingent liabilities in respect of mortgage loans for the buyers is minimal and no provision has therefore been made in the financial statements for contingent liabilities, and the Target Group did not have any material contingent liabilities.

6. CAPITAL COMMITMENTS

The Target Group has capital commitments of approximately RMB2,185,000,000, RMB1,831,000,000, RMB1,703,000,000 and RMB1,549,000,000 as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 August 2019 respectively, all of which were in respect of contracted but not provided for capital expenditures on properties under development.

7. EMPLOYEES

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 August 2019, the Target Group had 110, 105, 118 and 99 employees in the PRC respectively. For the year ended 31 December 2016, 31 December 2017, 31 December 2018 and for the eight months ended 31 August 2019, the total employee remuneration amounted to approximately RMB15,259,000, RMB17,104,000, RMB20,895,000 and RMB10,550,000, respectively.

8. FOREIGN CURRENCY EXPOSURE

Since the Target Group is operating in the PRC and all of its assets and liabilities were denominated in RMB, the currency risk of Target Group generated from fluctuation in exchange rate was remote.

9. SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

Reorganisation have been carried out by the Target Group by acquiring the entire equity of Guangxi Baohui and Guangxi Shengze subsequent to the year ended 31 December 2018.

On 23 April 2019, the Target Company acquired (i) the entire equity interest of Guangxi Baohui from the Seller for a consideration of RMB810,000,000 (equivalent to HK$899,100,000) and (ii) the entire equity interest of Guangxi Shenze from 創邦集團有限公司 (Chuangbong Group Limited#) for a consideration of RMB150,000,000 (equivalent to HK$166,500,000).

On 14 August 2019, Guangxi Shengze disposed of the entire equity interest of three subsidiaries namely, 桂林市寶能房地產開發有限公司 (Guilin Baoneng Real Estate Development Limited#), 廣西寶能房地產開發有限公司 (Guangxi Baoneng Real Estate Development Limited#) and 桂林市寶能投資有限公司 (Guilin Baoneng Investment Limited#) to the Seller for the aggregate cash considerations of RMB30,000,000. The three subsidiaries were originally established for exploring business opportunities in Guilin, Guangxi Province. Since these subsidiaries had not been carrying on any solid business activities or owned any property development project, they were detached from the Target Group and sold to the Seller shortly before the Acquisition. The three former subsidiaries did not contribute significant amount of revenue prior to the disposal. Therefore, the disposal did not lead to the decrease in the Target Group's revenue for the eight months ended 31 August 2019.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) Introduction to Unaudited Pro Forma Financial Information of The Enlarged Group

The following is an illustrative and unaudited pro forma statement of assets and liabilities (the "**Unaudited Pro Forma Financial Information**") of the Group and the Target Group (collectively referred to as the "**Enlarged Group**") which has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of the Target Group (the "**Acquisition**") as if it had taken place on 30 June 2019.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 as set out in the Company's published interim report dated 29 August 2019, the audited consolidated statement of financial position of the Target Group as at 31 August 2019 as extracted from the accountants' report as set out in Appendix II to this circular, and adjusted in accordance with the unaudited pro forma adjustments described in notes thereto, as if the Acquisition had been completed on 30 June 2019.

As the Group and the Target Group are under the common control of Mr. Yao Jianhui ("**Mr. Yao**") and Mr. Yao Zhenhua, the elder brother of Mr. Yao, as concert parties, together before and after the Acquisition and the Acquisition is considered as a combination of businesses under common control and accounted for under the principles of merger accounting. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Acquisition been completed on 30 June 2019, nor purport to predict the Enlarged Group's future financial position of operations.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2019 and other financial information included elsewhere in the circular.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2019 or at any future date.

(b) Unaudited Pro Forma Statement of Assets And Liabilities of The Enlarged Group as at 30 June 2019

				Pro forma adjustments			
	The Group as at 30 June 2019	The Target Group as at 31 August 2019	The Target Group as at 31 August 2019	Transaction costs related to the Acquisition	Reclassification accounts	Consideration for the Acquisition	The Enlarged Group as at 30 June 2019
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*
ASSETS AND LIABILITIES							
Non-current assets							
Property, plant and equipment	627,981	3,189	3,540	—	—	—	631,521
Investment properties	6,827,111	1,474,000	1,636,140	—	—	—	8,463,251
Intangible assets	901,517	—	—	—	—	—	901,517
Investment in an associate	326,779	—	—	—	—	—	326,779
Financial assets at fair value through other comprehensive income	851,356	—	—	—	—	—	851,356
Finance lease receivables	79,806	—	—	—	—	—	79,806
Deposits and other receivables	217,285	917,833	1,018,795	—	—	—	1,236,080
Derivative financial assets	6,830	—	—	—	—	—	6,830
Deferred tax assets	43,115	33,987	37,726	—	—	—	80,841
	9,881,780	2,429,009	2,696,201				12,577,981
Current assets							
Inventories	42,072	—	—	—	—	—	42,072
Properties under development	7,121,273	2,529,523	2,807,770	—	—	—	9,929,043
Completed properties held for sale	1,017,661	105,974	117,632	—	—	—	1,135,293
Loans and advances	901,673	—	—	—	—	—	901,673
Trade receivables	265,107	—	—	—	—	—	265,107
Contract assets	331,327	—	—	—	—	—	331,327
Finance lease receivables	52,100	—	—	—	—	—	52,100
Prepayments, deposits and other receivables	4,472,825	1,049,245	1,164,662	—	—	(33,280)	5,604,207
Financial assets at fair value through profit or loss	345,282	—	—	—	—	—	345,282
Tax recoverable	—	197,876	219,642	—	—	—	219,642
Client trust bank balances	548,231	—	—	—	—	—	548,231
Restricted cash	40,226	—	—	—	—	—	40,226
Pledged bank deposits	268,416	—	—	—	—	—	268,416
Time deposits with original maturity over three months	29,113	—	—	—	—	—	29,113
Cash and cash equivalents	2,345,799	12,604	13,990	(2,824)	—	—	2,356,965
	17,781,105	3,895,222	4,323,696				22,068,697
Total assets	27,662,885	6,324,231	7,019,897				34,646,678

	The Group as at 30 June 2019	The Target Group as at 31 August 2019	The Target Group as at 31 August 2019	Pro forma adjustments: Transaction costs related to the Acquisition	Pro forma adjustments: Reclassification accounts	Pro forma adjustments: Consideration for the Acquisition	The Enlarged Group as at 30 June 2019
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*
Current liabilities							
Trade and bills payables	2,655,040	1,170,778	1,299,564	—	—	—	3,954,604
Contract liabilities	611,183	3,424,158	3,800,815	—	—	—	4,411,998
Accruals and other payables	1,681,706	17,585	19,519	—	—	—	1,701,225
Consideration payable	123,193	—	—	—	—	—	123,193
Amounts due to related parties	—	—	—	—	1,053	299,720	300,773
Amount due to immediate holding company	—	818	908	—	(908)	—	—
Amounts due to fellow subsidiaries	—	131	145	—	(145)	—	—
Borrowings	7,264,424	163,000	180,930	—	—	—	7,445,354
Lease liabilities	9,264	—	—	—	—	—	9,264
Current tax liabilities	205,462	10,720	11,899	—	—	—	217,361
	12,550,272	4,787,190	5,313,780				18,163,772
Net current assets/(liabilities)	5,230,833	(891,968)	(990,084)				3,904,925
Total assets less current liabilities	15,112,613	1,537,041	1,706,117				16,482,906
Non-current liabilities							
Borrowings	2,627,310	2,138,856	2,374,130	—	—	—	5,001,440
Lease liabilities	30,573	—	—	—	—	—	30,573
Consideration payable	130,065	—	—	—	—	—	130,065
Financial guarantees	33,836	—	—	—	—	—	33,836
Deferred tax liabilities	1,267,594	92,856	103,070	—	—	—	1,370,664
	4,089,378	2,231,712	2,477,200				6,566,578
Total liabilities	16,639,650	7,018,902	7,790,980				24,730,350
Net assets/(liabilities)	11,023,235	(694,671)	(771,083)				9,916,328

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 was extracted from the published interim report of the Company for the six months ended 30 June 2019.

2. The audited consolidated statement of financial position of the Target Group as at 31 August 2019 was extracted from the accountants' report as set out in the Appendix II to this circular.

   For the purpose of this Unaudited Pro Forma Financial Information, the amounts in the statement of assets and liabilities of the Target Group as at 30 June 2019 are converted into Hong Kong dollars using exchange rate of RMB1 to HK$1.11, being the closing exchange rate adopted by the Company as at 30 June 2019, unless otherwise stated, for illustration purpose only and such exchange conversion does not constitute a representation that any amount has been, could has been, or may otherwise be exchanged or converted at the above rate.

3. The adjustment represents the estimated legal and professional fees and other direct expenses in relation to the Acquisition of approximately HK$2,824,000. This adjustment is not expected to have a continuing financial effect on the Enlarged Group.

4. The adjustment represents the reclassification of current account between the Group and the Target Group.

5. Pursuant to the Sale and Purchase Agreement dated 19 September 2019 and Supplemental Agreement dated 24 October 2019, the consideration for the Acquisition is RMB300,000,000 (approximately equivalent to HK$333,000,000), of which RMB270,018,000 (approximately equivalent to HK$299,720,000) will be settled by cash and RMB29,982,000 (equivalent to approximately HK$33,280,000) will be offset from the first instalment of the consideration to the other receivables in the Target Group, which represented the outstanding amount owed from members of the Seller Group to members of the Target Group.

   The cash consideration will be payable by instalments and the entire amount will be settled within one year from the date of completion.

6. As the Group and the Target Group are controlled by Mr. Yao and Mr. Yao Zhenhua as concert parties together before and after the Acquisition, the Group will account for the Acquisition as a business combination under common control using the principles of merger accounting in accordance with the Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA. Under the principles of merger accounting, the consolidated financial statements incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party. The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the common control combination. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded will be recognised directly in equity as part of the merger reserve. Acquisition costs are expensed as incurred.

7. Saved as aforesaid, no other adjustments have been made to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 30 June 2019.

2. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

BDO

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25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

To the directors of Glory Sun Financial Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Glory Sun Financial Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") and Shenzhen Baoneng Hengchuang Industrial Limited (the "**Target Company**") and its subsidiaries (the "**Target Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2019 and related notes as set out on pages IV-1 to IV-4 of Appendix IV of the Company's circular dated 29 November 2019 (the "**Circular**") in connection with the proposed acquisition of the entire equity interest in Target Company (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in page IV-1 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's consolidated financial position as at 30 June 2019 as if the Proposed Acquisition had taken place on 30 June 2019. As part of this process, information about the Group's consolidated financial position has been extracted by the directors of the Company from the Company's unaudited interim report for the six months ended 30 June 2019 which was published on 29 August 2019.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants’ Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2019 would have been as presented.

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

- the related 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' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

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

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

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

BDO Limited
Certified Public Accountants
Hong Kong, 29 November 2019

The following is the text of a valuation report, prepared for the purpose of incorporation in this document received from Valtech Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2019 of the Properties.

29 November 2019

The Board of Directors
Glory Sun Financial Group Limited
Unit 1908 to 1909, 19/F
Tower 2, Lippo Centre,
No. 89 Queensway, Hong Kong

Dear Sirs/Madams,

1. INSTRUCTIONS

In accordance with the instructions of Glory Sun Financial Group Limited (the "Company") to value the property interest (the "Properties") to be acquired by the Glory Sun Land Group Limited ("GSLG") located in the People's Republic of China (the "PRC"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 31 August 2019 (the "Valuation Date").

This letter, which forms part of our valuation report, explains the basis and methodology of valuation, clarifying assumptions and limiting conditions of this valuation.

2. BASIS OF VALUATION

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

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

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

3. VALUATION METHODOLOGY

For completed properties or land which under preliminary development stage, direct comparison method is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

And the valuation for properties under development, we have valued them on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by GSLG. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuations, we have adopted the direct comparison (market) approach by making reference to comparable sales evidence as available in the property market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the developments.

Valuation Considerations

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the International Valuation Standards 2017.

4. VALUATION ASSUMPTIONS

In our valuation, unless otherwise stated, we have assumed that:

i. all necessary statutory approvals for the Properties or the subject building of which the Properties forms part of its use have been obtained;

ii. transferable land use rights in respect of the Properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;

iii. the owner of the Properties have enforceable title to the Properties and has free and uninterrupted right to use, occupy or assign the Properties for the whole of the respective unexpired terms as granted;

iv. no deleterious or hazardous materials or techniques have been used in the construction of the Properties;

v. the Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown; and

vi. the Properties are connected to main services and sewers which are available on normal terms.

5. TITLE INVESTIGATION

We have been shown copies of various documents relating to the Properties. However, we have not examined the original documents to verify the existing titles to the Properties or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Company's PRC legal advisers, Guangdong Geyu Law Firm, concerning the validity of the titles to the Properties.

6. LIMITING CONDITIONS

We have conducted on-site inspections to the Properties on 27 August 2019 by Mr. Fan Chuanpeng (范傳鵬先生). The inspector have over 5 year experience in property valuation in PRC.

During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Properties are free from rot infestation or any other defects. As advised, for completed properties, all building services are available. No tests were carried out on any of the services.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the Properties. Our valuation is prepared on the assumptions that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the Properties or on adjoining or neighboring land or that the Properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have relied to a very considerable extent on the information provided by the Group and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Properties. The plans including but not limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Properties for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Company that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

7. REMARKS

We have valued the Properties in Renminbi (RMB).

We enclose herewith the ''Summary of Values'' and the ''Valuation Particulars''.

Yours faithfully,
For and on behalf of
Valtech Valuation Advisory Limited
Peggy Y. Y. Lai
MHKIS, MRICS, RPS(GP), BSC
Director

Ms. Peggy Y.Y. Lai is a Registered Professional Surveyor (GP) with over 18 years' experience in valuation of properties in HKSAR, Macau SAR, United Kingdom, Canada, the PRC and the Asia Pacific Region. Ms. Lai is a Professional Member of The Royal Institution of Chartered Surveyors, a Member of The Hong Kong Institute of Surveyors as well as a Member of China Institute of Real Estate Appraisers and Agents in the PRC.

Encl.

SUMMARY OF VALUES

No.	Property	Market Value as at 31 August 2019 *RMB*
1.	A development named Nanning Wuxianghu No.1 located at No.35 Pingle Avenue, Liangqing District, Nanning City, Guangxi Zhuang Autonomous Region, the PRC.	1,766,000,000
2.	A development named Nanning Wuxiang New District Global Financial Centre located at No.665 West section of Wuxiang Avenue, Liangqing District, Nanning City, Guangxi Zhuang Autonomous Region, the PRC.	3,914,000,000
	Total	5,680,000,000

VALUATION PARTICULARS

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 31 August 2019 *RMB*
1.	A development named Nanning Wuxianghu No.1 located at No.35 Pingle Avenue, Liangqing District, Nanning City, Guangxi Zhuang Autonomous Region, the PRC.	Wuxianghu No.1 is a composite development including residential, street shops, office and shopping mall located on a site with site area of approximately 127,601.02 sq.m. (the ''Baohui Development'') The Baohui Development is developed by 4 phases. According to the development proposal provided by the Group, Phase I, II & III will be developed for residential and retail, and a shopping mall will be developed in Phase IV. Currently Phases I&II are completed, phase III is under construction and phase IV is vacant and pending for development. The whole development is expected to be completed at around 2022. The property comprises the whole development excluding sold portion of Phase I&II. The land use rights of the property are held for various terms commencing on 30 April 2014: 70 years for residential use; 40 years for wholesale and retails uses; 50 years for commercial and financial uses.	The property is under development.	1,766,000,000 (Renminbi One Thousand Seven Hundred and Sixty Six Million Only)

Notes:

i. According to a Land Use Right Grant Contract, the land use right with a site area of about 127,601.02 sq. m. has been granted to 廣西寶匯置業有限公司 (''Guangxi Baohui Property Co., Ltd.'') (referred as ''Guangxi Baohui'') with a consideration of RMB622,054,973. The maximum permitted accountable gross floor area is 510,404.08 sq.m.

ii. Pursuant to a state-owned land use right certificate Gui (2015) Nanning Real Estate No.0003101, a parcel of land with site area of approximately 127,601.02 sq. m. is granted to Guangxi Baohui for various terms commencing from 30 April 2014 (70 years for residential use; 40 years for wholesale and retails uses; 50 years for commercial and financial uses.)

iii. Pursuant to 13 sets of Construction Planning Permits — Jian Zi Di No.450101201450949, 450101201450950, 450101201450951, 450101201450952, 450101201450330, 450101201650789, 450101201650657, 450101201650658, 450101201650659, 450101201650660, 450101201650665, 450101201650667 and 450101201650619, the planning of residential buildings No. 1,2,3,5 and 9 with basement with planned gross floor area of approximately 124,118.29 sq.m. (90,991.54 sq.m. of above-ground and 33,126.75 sq.m. of basement), commercial buildings No.S2,S3,S5,S6,S8 and S9 with planned gross floor area of approximately 15,973.5 sq.m. and one kindergarten with planned gross floor area of approximately 3,224.72 sq.m. are approved.

iv. Pursuant to 3 sets of Construction Commencement Permits — Nos.450117201701180104, 450117201704080101 and 450117201712210201, construction of residential buildings No.1,2,3,5,9 with basement, commercial buildings No.S2, S3, S5, S6, S8 and S9 and one kindergarten have been approved.

v. Pursuant to 12 sets of Project Completion and Acceptance Record, the construction of residential buildings No.1,2,3,5,9 with basement with total gross floor area of approximately 91,000 sq.m. (above ground), commercial buildings No.S2, S3, S5, S6, S8 and S9 with total gross floor area of approximately 15,000 sq.m. and one kindergarten with gross floor area of approximately 3220.66 sq.m.. are completed and accepted.

vi. Based on current development plan provided by GSLG, the gross development value of the property upon completion is estimated to be approximately RMB4,000,000,000. The outstanding development cost as at the Valuation Date is approximately RMB1,600,000,000.

vii. We have been provided with a legal opinion by the Group's PRC legal adviser, Guangdong Geyu Law Firm, regarding the legal title of the property, which contains, inter alia, the followings:

i) Guangxi Baohui legally owned the land use right of the Baohui Development;

ii) all residential units of Block 1,2,3,5,9 have been delivered to purchasers except for one unit with gross floor area of approximately 92 sq.m. which is still pending for sale. Portions of Commercial buildings No.S2, S3, S5, S6, S8 and S9 with total gross floor area of approximately 10,600 sq.m. has been delivered to purchasers and remaining portion of gross floor area of approximately 4,600 sq.m. part is pending for sale. In our valuation, we have excluded the portions which have been delivered;

iii) according to the land grant contract, the whole Baohui Development shall be completed on or before 30 April 2017. Failure to complete the Baohui Development in time would result in a daily penalty of 0.01% of the total consideration for the transfer of the land use rights. As at the Valuation Date, the Baohui Development was still under construction. Guangxi Baohui has applied to the planning and construction committee of Guangxi Nanning Wuxang New District (the "**Committee**") due to the suspension of construction work from 2014 to 2016, during which the local government conferences took place and the construction plan was improved to meet the standards of the latest notice of development of "Sponge City" ("海綿城市") by the Committee. As at the Valuation Date, the Committee has not issued any penalty notice. Guangxi Baohui understands that delay of property development is common in China. A verbal agreement was reached in July 2019 between Guangxi Baohui and the Committee, whereby the Committee agreed to postpone the completion date to a later date and that no penalty will be charged. The PRC legal adviser confirms that the verbal agreement is legal, valid and binding on Guangxi Baohui and the Committee. Based on the above, the PRC legal adviser is of the opinion that the risk of Guangxi Baohui being penalized for delay of completion is low; and

iv) the Properties is subject to a mortgage in favor of Pingan Trust Co., Ltd which as advised by the Group is independent party to the Group, for the amount of RMB163,000,000 from 16 May 2019 to 16 May 2020.

VALUATION PARTICULARS

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 31 August 2019 *RMB*
2.	A development named Nanning Wuxiang New District Global Financial Centre located at No.665 West section of Wuxiang Avenue, Liangqing District, Nanning City, Guangxi Zhuang Autonomous Region, the PRC.	Nanning Wuxiang New District Global Financial Centre is a composite development erected on two connected sites with a total site area of approximately 66,566.7 sq. m.. (the ''Shengze Development'') 5 towers namely T1, T2, T3, T4 and T5 are proposed to be erected on a common podium. Currently T1 & T3 are close to complete; T2, T4 & T5 are under construction and expected to be completed at 2020. The land use rights of the property are held for a term of 50 years for commercial and financial uses; 40 years for wholesale and retail use; 40 years for accommodation and beverage use commencing on the date of 6 September 2013.	The property is under development.	3,914,000,000 (Renminbi Three Thousand Nine Hundred and Fourteen Million Only)

Notes:

i. According to three Stated-owned land use right certificates, the land use right with a site area of about 66,566.7 sq. m. (above ground) and 4,835.64 sq.m. (below ground) has been granted to 廣西盛澤投資有限公司 (''Guangxi Shengze Investment Co., Ltd.'') (the ''Guangxi Shengze'') with details as below:

Reference	Site Area *(sq.m.)*	Term and Usage
Nanning Guo Yong (2014) No.642069	23,997.65	50 years for commercial and financial uses; 40 years for wholesale and retail uses; 40 years for accommodation and beverage uses. (commencement date: 6 September 2013)
Nanning Guo Yong (2014) No.642070	42,569.05	50 years for commercial and financial uses; 40 years for wholesale and retail uses; 40 years for accommodation and beverage uses. (commencement date: 6 September 2013)
Gui (2018) Nanning Real Estate No.0014270	4,835.64 (below ground)	50 years for street and lane uses; 50 years for wholesale and retail uses. (commencement date: 26 October 2016)

ii. Pursuant to construction work planning permit — Jian Zi Di No.450101231950472, 450101201850808, 450101201950473, 450101201850809, 450101201450509, 450101201750853 and 4501012301851234, the property is permitted to be developed into various high-rise commercial buildings named as T1, T2, T3, T4 and T5 and a shopping mall at podium.

iii. Pursuant to five sets of construction work commencement permits — No. 450117201803160101, 450117201811010301, 450117201803160101, 450117201811010404, 450117201803160201, construction of various commercial buildings and podium was approved to be commenced.

iv. Construction of commercial buildings T1 & T3 are completed and have been granted with Project Completion and Acceptance Record.

v. Based on current development plan provided by GSLG, the gross development value of the property upon completion is estimated to be approximately RMB7,610,000,000. The outstanding development cost as at the Valuation Date is approximately RMB1,813,000,000.

vi. We have been provided with a legal opinion by the Group's PRC legal adviser, Guangdong Geyu Law Firm, regarding the legal title of the property, which contains, inter alia, the followings:

i) Guangxi Shengze legally owned the land use right of the Shengze Development;

ii) according to the land grant contract, the whole Shengze Development shall be completed on or before 6 March 2017. Failure to complete the Shengze Development in time would result in a daily penalty of 0.01% of the total consideration of the transfer of the land use rights. As at the Valuation Date, the Shengze Development was still under construction. Guangxi Shengze has applied to the planning and construction committee of Guangxi Nanning Wuxang New District (the "**Committee**") to postpone the completion date due to the unexpected wide range of hard foundation, the holding of the World Gymnastics Championship, and the suspension of construction work from 2014 to 2016, during which the local government conferences took place and the basement planning of the Shengze Development was revised. As at the Valuation Date, the Committee has not issued any penalty notice. Guangxi Shengze understands that the delay of property development is common in China. On 12 October 2019, the Natural Resources Bureau of Nanning (the "**Bureau**") entered into an agreement with Guangxi Shengze pursuant to which the Bureau agreed to postpone the completion date of the Shengze Development to 21 March 2020;

iii) as there is some change of land planning regulation by the Committee in order to further provide more commercial service in subject locality and as result, additional land premium will be charged. Guangxi Shengze has been informed to complete the procedure and settle the land premium in government.

iv) the Properties is subject to a mortgage in favor of Everbright Xinglong Trust Co., Ltd which as advised by the Group, is independent party to the Group, for the amount of RMB450,000,000.00 from 27 May 2019 to 31 December 2020.

The following is the text of a valuation report, prepared for the purpose of incorporation in this document received from Valtech Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2019 of the Target Company.

Valtech =∑ w * factors
Valuation Advisory

29 November 2019

Board of Directors
Unit 1908-1909, 19/F,
Tower 2, Lippo Centre,
No. 89 Queensway, Hong Kong

Dear Sir/Madam,

Valuation of Shenzhen Baoneng Hengchuang Industrial Limited

In accordance with the instructions from Glory Sun Financial Group Limited (the "Company"), we have been engaged by the Company to assist to determine the following subject of valuation as at 31 August 2019 (the "Valuation Date").

- Valuation of Shenzhen Baoneng Hengchuang Industrial Limited (the "Subject of Valuation") as at the Valuation Date for transaction reference purpose.

Our analyses are substantially based on the information provided to us by the existing management of the Company (the "Management"). It is our understanding that our analyses, and the subsequent appraised estimation of Fair Value (as defined in the section Standard and Basis of Value), will be used by the Management solely for their purpose of transaction reference only. Our analyses were conducted for the above stated purpose. As such, this report should not be used by the Company for any other purpose other than those that are expressly stated herein without our expressed prior written consent.

Our work was subject to section Statement of Limiting Conditions as described till the end of this report. The basis of value follows the definition of Fair Value as stipulated in the Hong Kong Financial Reporting Standard 13 ("HKFRS 13")/International Financial Reporting Standard 13 ("IFRS 13"), premised on the Subject of Valuation being a "Highest and Best Use" basis.

The approaches and methodologies used in our work did not comprise an examination to ascertain whether the Company or the Subject of Valuation's presented financial information were constructed in accordance with generally accepted accounting principles. The objective of the aforesaid examination is of course to determine whether existing current financial statements or other financial information, historical or prospective, which are provided to us by the Management, are being expressed as a fair presentation of the Subject of Valuation's financial condition. As such, we express no opinion and accept no responsibility on the accuracy and/or completeness of the historical and projected financial information of the Subject of Valuation, and of the marketing materials or other data provided to us by the Management.

Our conclusion on Fair Value do not constitute nor shall they be construed to be an investment advice or an offer to invest. Prior to making any decisions on any investments, a prospective investor should independently consult with their own investment, accounting, legal and tax advisers to critically evaluate the risks, consequences, and suitability of such investment.

SCOPE AND PURPOSE OF ENGAGEMENT

We were engaged by the Management to assist to determine the Fair Value of the Subject of Valuation as at the Valuation Date. It is our understanding that our analysis will be used by the management of the Company solely for their transaction reference only.

It is understood that the valuation report may be inserted in full in public document.

STANDARD AND BASIS OF VALUE

This valuation was prepared on the basis of Fair Value. In accordance with HKFRS 13/IFRS 13, Fair Value is defined as 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. When appropriate, we might also make cross reference to the 2017 International Valuation Standards ("2017 IVS") published by the International Valuation Standards Council. The 2017 IVS details the general guideline on the basis and valuation approaches used in valuation.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject, i.e., a business, in a manner which would generate the greatest return to the owner, taking account what is physically tangible, financially feasible, and legally permissible. Premise of value includes the following scenarios:

- **Highest and Best Use:** is the use that would produce the highest and best use for an asset, and it must be financially feasible, legally allowed and result in the highest value;

- **Current Use/Existing Use:** is the current way an asset, liability, or group of assets and/or liabilities is used, maybe yet not necessarily the highest and best use;

- **Orderly Liquidation:** describes the value of a group of assets that could be realized in a liquidation sale, given a reasonable period of time to find a purchaser/(s), with the seller being compelled to sell on an as-is, where-is basis; and

- **Forced Sale:** is in circumstances where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers may not be able to undertake adequate due diligence.

After having reviewed all background and financial information and taken into consideration all relevant facts, valuation of the Subject of Valuation should be prepared on a "Highest and Best Use" basis.

LEVEL OF VALUE

Current valuation theories suggest that there are at least three basics "levels" of value applicable to a business or business interest. The three most common levels of value are as follows:

- **Controlling Interest:** Value of the controlling interest, always evaluate an enterprise as a whole;

- **As if Freely Tradable Minority Interest:** Value of a minority interest, lacking control, but enjoys the benefit of market liquidity; and

- **Non-marketable Minority Interest:** Value of a minority interest, lacking both control and market liquidity.

After having reviewed all background and financial information and take into consideration all relevant and objective facts, we reasonably believe Subject of Valuation should be valued and reported in this valuation as a Controlling Interest.

SOURCES OF INFORMATION

Our analysis and conclusion of opinion on value were based on continued discussions with, and having obtained pertinent key documents and records provided by the Management, and conducted certain procedures including but not limited to:

- Obtained consolidated management accounts of the Target Group for the period ended 31 August 2019;

- Obtained management accounts of the Subject of Valuation, Guangxi Baohui and Guangxi Shengze for the period ended 31 August 2019;

- Obtained financial statements of Guangxi Baohui and Guangxi Shengze for the year ended 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018;

- Obtained list of inventories and investment properties breakdown of Guangxi Baohui and Guangxi Shengze as at 31 August 2019;

- Obtained the group structure chart of the Target Group as at 31 August 2019;

- Obtained financial projection of the Target Group prepared by the management of the Target Group;
- Obtained property development plan of Guangxi Baohui and Guangxi Shengze;
- Obtained brief description of properties of Guangxi Baohui and Guangxi Shengze;
- Obtained land use right grant contract, land use right certificate, construction planning permits, construction permission permits of the properties of Guangxi Baohui and Guangxi Shengze;
- Obtained property mortgage agreement entered into between Guangxi Shengze as mortgagor and Everbright Xinglong Trust Company Limited as mortgagee dated on 25 May 2019;
- Obtained previous mortgaged property valuation report by Shicheng Jiaye Real Estate Land Assessment Company Limited dated on 31 May 2019;
- Obtained the financial statement of Jinan Baoneng for the period ended 31 August 2019;
- Obtained the financial statement of the Seller for the year ended 31 December 2018;
- Obtained the PRC legal due diligence report of the Target Company;
- Obtained previous valuation report of the investment properties of Guangxi Baohui; and
- Obtained properties presale record of Guangxi Shengze.

We have also relied upon publicly available information from sources in capital markets, including industry reports, news and various databases of publicly traded companies.

ECONOMIC OVERVIEW

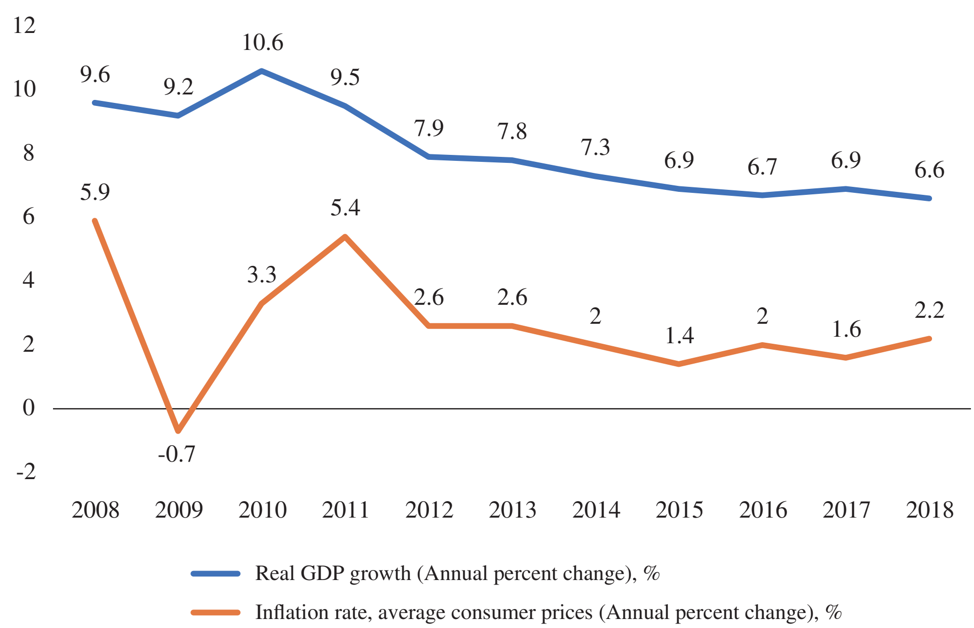
To substantiate the economic background of the country where the Subject of Valuation is located at, we have reviewed the economic condition of China where the Subject of Valuation will derive its future income from.

GDP Growth in China

According to the current 13th Five-Year Plan (2016–2020), China aims on a sustainable and balanced development and expects to achieve a moderately prosperous society. Therefore, the economy growth is expected to shift into lower gear. In 2017, the real gross domestic products ("GDP") annual growth rate and the inflation rate tended to become stable at 6.9% and 1.6% respectively. The GDP annual growth rate decreases to 6.6% in 2018 and is estimated to slightly decrease to 5.6% in the next five years, while the inflation rate rises to 2.2% in 2018 and is estimated to slightly increase to 3.0% in the next five years.

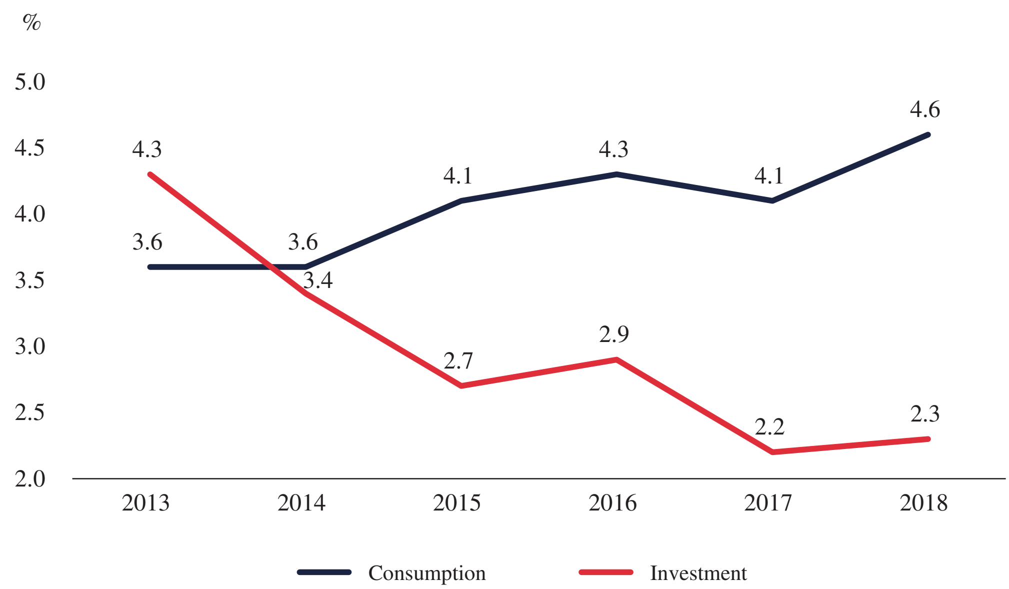
Growth is estimated to have slowed in 2018, supported by resilient consumption. A rebound in private fixed investment helped offset a decline in public infrastructure and other state spending. However, industrial production and export growth have decelerated, reflecting easing global manufacturing activity. Import growth continued to outpace export growth, contributing to a shrinking current account surplus. Net capital outflows have resumed, and international reserves have been edging down. Stock prices and the renminbi have experienced continued downward pressures, and sovereign bond spreads have risen amid ongoing trade tensions and concerns about the growth outlook.

Real GDP Annual Growth Rate and Inflation of China



Source: World Economic Outlook Database (October 2018), International Monetary Fund

Contribution to GDP growth in China



Source: Global Economic Prospect (January 2019), World Bank

Real GDP Annual Growth Rate and Inflation estimation of China

	2019E	2020E	2021E	2022E	2023E
Real GDP Annual Growth Rate *(%)*	6.2%	6.2%	6.0%	5.8%	5.6%
Inflation *(%)*	2.4%	2.6%	2.8%	2.9%	3.0%

Source: World Economic Outlook Database (October 2018), International Monetary Fund

China's GDP is USD 12,015 billion, ranking the second place worldwide and is estimated to be closer to the United States' GDP in the next five years.

Worldwide GDP

		GDP — Billions of the United States Dollar ("USD")						
	Country	**2017A**	**2018E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**
1	United States	19,391	20,513	21,482	22,289	23,096	23,875	24,671
2	China	12,015	13,457	14,172	15,462	16,768	18,132	19,581
3	Japan	4,872	5,071	5,221	5,372	5,522	5,714	5,908
4	Germany	3,685	4,029	4,117	4,332	4,524	4,737	4,937
5	United Kingdom	2,625	2,809	2,810	2,913	3,012	3,135	3,257
6	France	2,584	2,795	2,845	2,979	3,100	3,235	3,364

Source: World Economic Outlook Database (October 2018), International Monetary Fund

Growth in China will remain strong but is projected to decline gradually as the Chinese government's intention to "de-lever" the economy through controlling credit growth in order to maintain a healthy growth of the economy in long run. Nevertheless, supply-side structural reforms as well as regulatory tightening to mitigate environmental and financial remain definite drags on growth. External uncertainty risks including trade frictions with the U.S. persist and real estate activity continues to show significant variations nationwide, although property market prudential measures have so far tamed volatility.

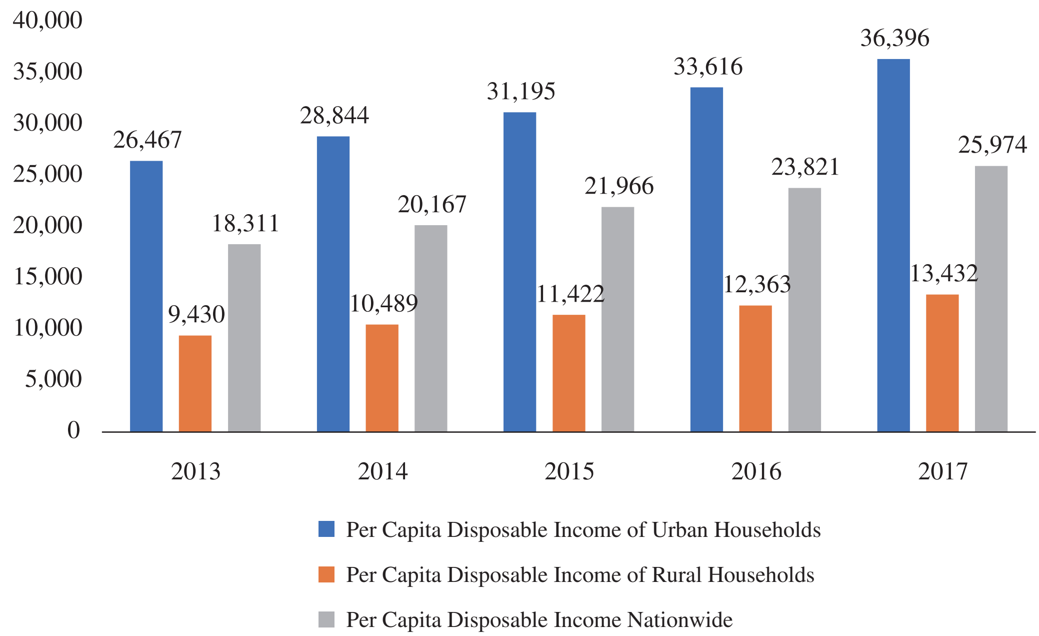
Domestic demand is projected to remain robust aided by policies to boost consumption. Supportive fiscal and monetary policies undertaken or announced so far are expected to largely offset the negative impact of higher tariffs; however, additional stimulus may have the undesirable effect of slowing the deleveraging and de-risking process.

GDP PER CAPITA IN CHINA

The 13th Five-Year Plan adopted in 2016 mandated that China becomes a "moderately prosperous society" (xiaokang) and doubles its real GDP between 2010 and 2020. The disposable income level, one of the good measures, has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB26,467 in 2013 to RMB36,396 in 2017, representing a CAGR of approximately 8.3%; annual disposable income per capita of rural households has increased from RMB9,430 in 2013 to RMB13,462 in 2017, representing a CAGR approximate to 9.2%. In comparison to the inflationary figures, the annual inflation rate is between 1.6% and 2.6% during the period from 2013 to 2017.Hence, the living standard of Chinese people saw an overall improvement from 2013 to 2017.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2013 to 2017.

GDP per Capita of China (CNY)



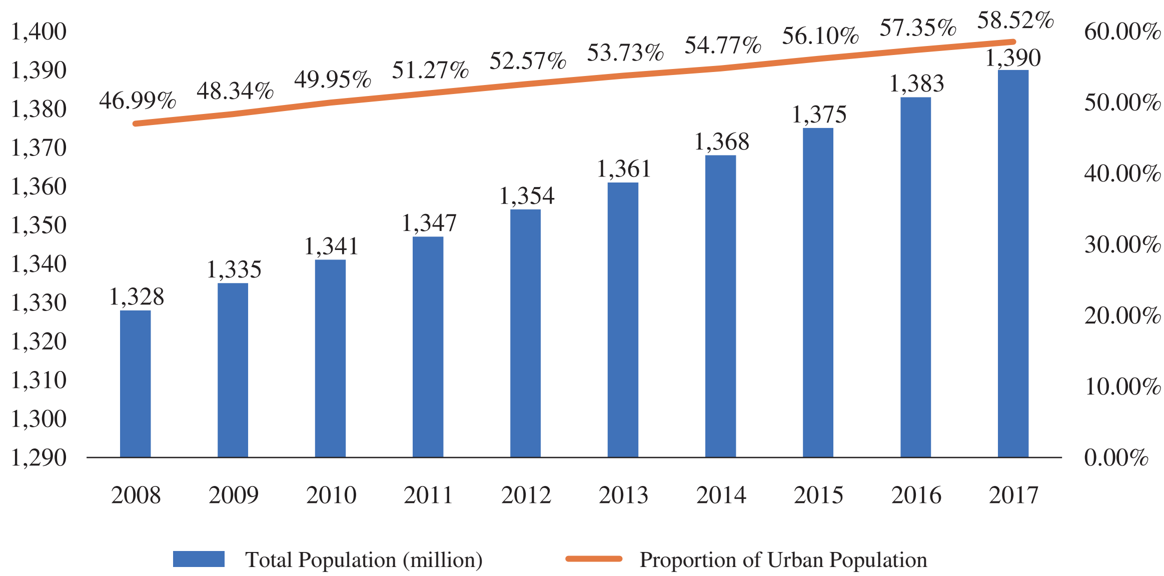
Source: National Bureau of Statistics of China, 2019

Population Growth

The population growth of China tends to become slow these years. According to the National Bureau of Statistics of China, the population has grown from 1.33 billion in 2008 to 1.39 billion in 2017, representing a CAGR of approximately 5.0%. The proportion of urban population in China increased from 46.99% in 2008 to 58.52% in 2017.

The following diagram shows the population growth and corresponding urban population growth in China from 2008 to 2017.

Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China, 2019

For the next ten years, the population growth is supposed to be steady. The future growth of the domestic demand should depend on the population growth, as well as the increasing urbanization and expansion of the middle class. Meanwhile, the unemployment rate was recorded at around 4.0% for the past few years, and it is estimated the status will not change from 2018 to 2023.

Population Forecast of China

	2018E	2019E	2020E	2021E	2022E	2023E
Population *(Million)*	1,397.0	1,403.4	1,409.3	1,414.6	1,419.5	1,420.9
Unemployment rate *(%)*	4.0	4.0	4.0	4.0	4.0	4.0

Source: World Economic Outlook Database (April 2018), International Monetary Fund

China's one-child policy starting from 1979 has slowed down the birth rate, but the side effect of the policy starts to take effect in the current decade. The number of elderly people is rising and this age group is forecasted to grow in the next few decades while the number of children aged from 0 to 14 years old fluctuated around 223 million. The Government has realized this trend and introduced two-child policy since October 2015. As a result, the number of the 0-to-14-years-olds enjoys a slight rise of 233 million in 2017, with the CAGR of –0.83%.

Age Distribution of China from 2008 to 2017 and CAGR

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR
0–14 *(Million)*	252	247	223	222	223	223	226	227	230	233	–0.87%
15–64 *(Million)*	965	974	999	1,002	1,003	1,006	1,004	1,004	1,003	998	0.37%
>=65 *(Million)*	110	113	119	123	127	132	138	144	150	158	4.11%

Source: National Bureau of Statistics of China

Inflation

The inflation rate in China has slightly decreased since 2011 and picked up in 2017. According to World Economic Outlook Database of the International Monetary Fund, the inflation rate was reported at 1.6% in 2017 in China and is estimated to rise a little at 2.5% to 3.0% from 2018 to 2023. However, the outlook of China's inflation is far left behind compared with the inflation of world's average and of emerging and developing economies.

Annual Inflation Forecasts of China

Inflation, Average Consumer Prices Changes *(%)*

	2017A	2018E	2019E	2020E	2021E	2022E	2023E
World	3.0	3.5	3.4	3.3	3.2	3.3	3.3
Emerging and developing economies	4.0	4.6	4.3	4.2	4.1	4.1	4.1
China	1.6	2.5	2.6	2.7	2.8	2.8	3.0

Source: World Economic Outlook Database (April 2018), International Monetary Fund

Government Policy

The 13th Five-Year Plan (2016–2020) is the main target as for the period, which aims at:

1) maintaining modest economy growth on a balanced, inclusive and sustainable basis, targeting to double GDP and per capita income of urban and rural residents comparing to 2010 by 2020;

2) upgrading the industry towards high-end level accompanied with contributions of consumption to economic growth accounting more, and improving the urbanization rate to a higher level;

3) Enhancing agricultural modernization, improving people's living standards and quality, and helping the rural poor population out of poverty;

4) improving overall national quality, ecological environment quality and social civilization significantly; and

5) implementing a more mature and stereotyped political system and achieving significant progress in national governance systems and governance capacity modernization.

The National People's Congress (NPC) begins every year with the presentation of the Government Work Report by the Premier. This year, Premier Li Keqiang emphasized the three tough battles of 2018 (risks, poverty and pollution) and presented the objectives for the year to come. The growth target is set to around +6.5% YoY (compared to previous years when it was "6.5% or better if possible") and the budgetary deficit is set to be reduced to 2.6% of GDP (compared to 3% previously). Moreover, Premier Li announced VAT cuts of RMB800 billion in order to boost the competitiveness of the Chinese private sector.

In addition to various numerical targets, the NPC unveiled appointments of senior officials such as Yi Gang as People's Bank of China (PBoC) Governor and Liu He as Vice-Premier as well as an impressive restructuration plan. This plan includes the merger of the China Banking Regulatory Commission (CBRC) with the China Insurance Regulatory Commission (CIRC) and a reorganization of authorities supervising the financial sector. The Financial Stability and Development Commission (FSDC), created in the summer of 2017, will play the coordinating role and oversee PBoC, which will take care of macro-prudential supervision and the draft of regulations while the regulatory commissions will be tasked with execution.

The wide restructuration saw the dissolution and creation of various ministries such as the Ministry of Agriculture, which became the Ministry of Agriculture and Rural Affairs. The National Development and Reform Commission (NDRC) lost many of its functions to other ministries. Restructuration aside, a number of new administrations and agencies are being set up including the State Administration for Market Regulation (SAMR). The SAMR will take over the duties of the State Administration for Industry and Commerce (SAIC), the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and the China Food and Drug Administration (CFDA). The State Intellectual Property Office (SIPO) received an extended portfolio with responsibilities for trademarks and geographical indicators and will be under the umbrella of the SAMR. However, restructuration will take time to unfold and many details remain to be clarified.

INDUSTRY OVERVIEW

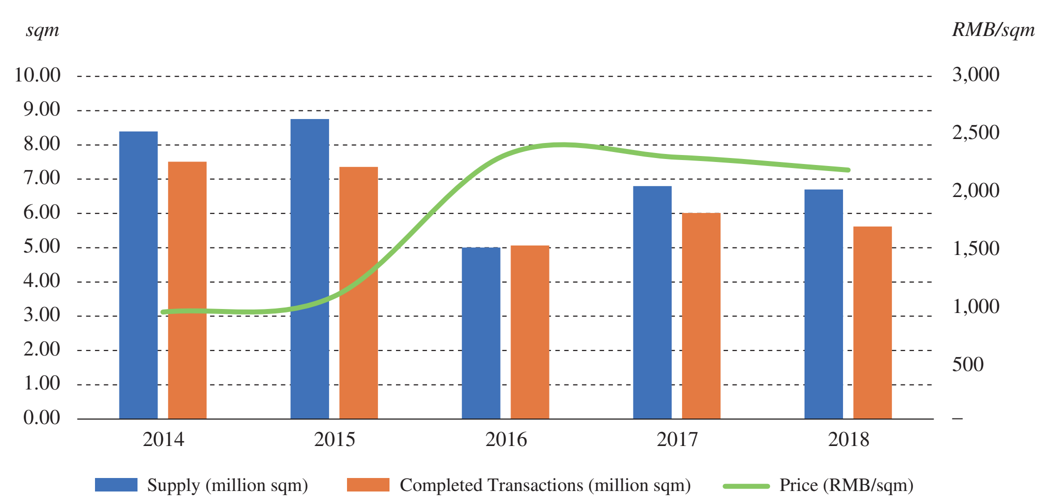
Home price rises have been slowing in China´s biggest cities in the past two years but they are still picking up in the regional centres. Based on the figures from the National Bureau of Statistics of China(“NBS”), the average price of new dwellings in China´s 70 cities rose by 10.78% year-over-year in June 2019. Recent price growth nationally was even faster than six months ago as 2018 ended with a house price rise of 9.7% year-over-year in December 2018. Based on the survey from National Bureau of Statistics, in June 2019, new home prices went up in 63 out of the total 70 cities, down from 67 cities in May. Most of the price gains were felt in the second and third-tier cities, while the four top-tiered cities had weaker price growth, with an average increase of 0.2% on the previous month.

As the capital of South China’s Guangxi Zhuang Autonomous Region, the real estate market of Nanning has been developing rapidly in the past two years, and the effect of inventory clearance has been remarkable. In 2014, Nanning has become the first city to relax its home purchase restrictions, underlining the local government’s desire to boost demand amid the cooling property market. Residents with a household registration in the nearby cities of Beihai, Qinzhou, Fangchenggang and Chongzuo will be allowed to buy property in Nanning.

In 2017, the average price of the residential housing in Nanning exceeded RMB10,000/sqm for the first time. According to the latest data from Nanning Bureau of Housing Management, housing prices in all districts has been exceeded RMB10,000/sqm except for the Jiangnan district.

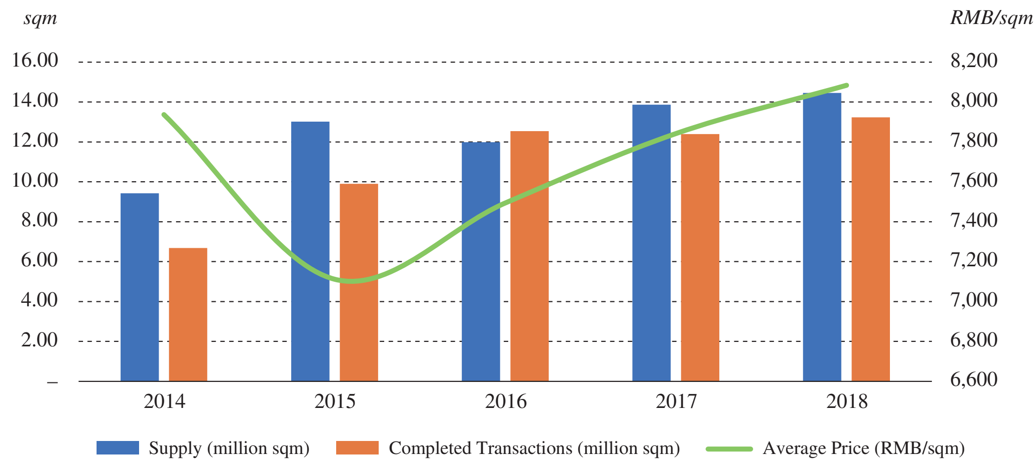
The volume and price of residential property have steadily risen, but the volume of land transactions has declined year by year, and the price of land transactions has also slowed down.

Land Supply and Demand in Nanning, 2014–2018



Source: Nanning Municipal Bureau of Land and Resources

Supply and Demand of Residential Property in Nanning, 2014–2018



Source: Nanning Bureau of Housing Management

Property Inventories in Nanning as at 2018

Property Type	Inventory	Area *(million sqm)*
Residential	48,530	5.496
Commercial	22,570	1.848
Office	13,984	1.511
Other	191,812	9.423
Total	**276,896**	**18.3**

Source: Centaline Property

Household debt is now the main driver of aggregate loan growth in China, with an average growth of 27% annually over the past three years. Such debt outpaced corporate borrowing in early 2018. As of 2018, China´s household debt was at 52.6% of GDP, an increase of more than 30 percentage points over the last decade, based on figures from the Bank for International Settlements (BIS). Residential mortgage loans accounted for 59% of the country´s total household debt in June 2018.

The central bank intensified its house price curbing measures in March 2017, by releasing new credit policy guidelines for commercial banks to reign the pace of mortgage loan issuance among other things, as well as to adjust credit policies which would control the flow of bank credit to the real estate sector.

In September 2017, eight cities including Changsha, Chongqing, Guiyang, Nanchang, Nanning, Shijiazhuang, Xi´an, and Wuhan reportedly imposed new house purchase controls, most of which include banning home resale two to three years after purchase. The housing market curbing measures continue in 2018. Local governments in lower-tier cities also started rolling out stricter restrictions in mortgage ratios, pre-sale pricing and sales, adhering the Ministry of Housing and Urban-Rural Development´s call on not loosening regulatory measures and sticking to the real estate management goals.

The continuous implementation of tighter policies has resulted in slower growth of real estate mortgage loans. By end of 2018, outstanding loans to the real estate sector had grown by 20% year-over-year to RMB38.7 trillion, 0.9% slower from the previous year´s growth, according to the People´s Bank of China´s Monetary Policy Report for Q4 2018. Outstanding individual mortgage loans were up by 17.8% as of December 2018, down by 4.4% from end-2017´s growth.

In early 2019, some local governments loosened their home purchase restrictions in order to boost economic activity. However, the Chinese regulator China Banking and Insurance Regulatory Commission was recently reported to launch a special inspection on 75 banks in 30 cities to detect violations by institutions in lending to home buyers and developers, as part of the country´s campaign in curbing housing market speculations.

COMPANY OVERVIEW

GLORY SUN FINANCIAL GROUP LIMITED

Glory Sun Financial Group Limited, formerly known as China Goldjoy Group Limited, is a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange of Hong Kong (1282 HK). The Company is an investment holding company principally engaged in the manufacture of high-technology products, and the trading of automation-related equipment. The Company operates through three business segments: automation, manufacturing and securities investment. The Company is also engaged in the research and development, trading of software, manufacturing of printed circuit board touch pad, as well as the development of business and the marketing of products through its subsidiaries.

GLORY SUN LAND GROUP LIMITED

Glory Sun Land Group Limited (“GSLG”), formerly known as New Sports Group Limited, is a listed company in Stock Exchange of Hong Kong (299.HK). GSLG is an investment holdings company and its subsidiaries are principally engaging in the property development and property investment in the PRC, internet sport platform in the PRC, development of sports stadium operations and the related training in the PRC, and listed securities investment. As at the Valuation Date, GSLG is a subsidiary of the Company.

SHENZHEN BAONENG HENGCHUANG INDUSTRIAL LIMITED

Shenzhen Baoneng Hengchuang Industrial Limited (the “Target Company”) is a wholly owned subsidiary of the Seller as at the Valuation Date.

GUANGXI BAOHUI PROPERTY COMPANY LIMITED

Guangxi Baohui Property Company Limited ("Guangxi Baohui") is a wholly owned subsidiary of the Subject of Valuation.

GUANGXI SHENGZE INVESTMENT COMPANY LIMITED

Guangxi Shengze Investment Company Limited ("Guangxi Shengze") is a wholly owned subsidiary of the Subject of Valuation.

BAONENG REAL ESTATE COMPANY LIMITED

Baoneng Real Estate Company Limited (the "Seller") is a company owned as to 78.10% by Baoneng Holding (China) Company Limited, which is in turn indirectly owned as to 20% by Mr. Yao Jianhui, an executive director and a controlling shareholder of GSLG and as to 80% by an associate of Mr. Yao Jianhui.

JINAN BAONENG REAL ESTATE COMPANY LIMITED

Jinan Baoneng Real Estate Company Limited ("Jinan Baoneng") is a company incorporated in the PRC and an indirect non-wholly-owned subsidiary of the Seller.

VALUATION METHODOLOGY OVERVIEW

The valuation of any asset can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the analysis of that asset.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain a business, business ownership interest, security, or intangible asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Market Approach

The market approach provides an indication of value by comparing a business, business ownership interest, security, or intangible asset with identical or comparable (that is similar) subjects for which price information is available.

Value is established based on the principle of comparison. This simply means that if one thing is similar to another and could be used for the other, then they must be similar. Furthermore, the price of two alike and similar items should be approximates to one another.

Income Approach

This is a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the Subject of Valuation operates, and other risks specific to the asset being valued.

Selected Valuation Approach

Methodology	**Application**	**Reason**
Cost Approach	Accepted	(a) summation method under the Cost Approach is suitable for the Subject of Valuation
Market Approach	Rejected	(a) the Subject of Valuation has not recently been sold in a transaction appropriate for consideration under the basis of value; (b) the subject or substantially similar assets are not actively publicly traded; and/or (c) there are not frequent and/or recent observable transactions in substantially similar assets.
Income Approach	Rejected	(a) the income-producing ability of the subject asset is only one of several factors affecting value from a participant perspective; (b) there is significant uncertainty regarding the amount and timing of future income-related to the Subject of Valuation; and/or (c) the Subject of Valuation has not yet begun generating income, but is projected to do so.

GENERAL ASSUMPTIONS

A number of general assumptions were established to sufficiently support our conclusion of valuation. The general assumptions adopted in this valuation are:

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where the Subject of Valuation currently operates in and in new markets that the Subject of Valuation may potentially expand into as proposed by Management;

- There are no deviations, the aggregate of which when viewed together, may be construed to be a material adverse change in industry demand and/or market conditions;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of the Subject of Valuation;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the current laws of taxation in those countries in which the Subject of Valuation operates in or the Subject of Valuation may potentially operate in;

- All relevant legal approvals, business certificates, trade and import permits, bank credit approval have been procured, in place and in good standing prior to commencement of operations by the Subject of Valuation under the normal course of business;

- Revenue projections and future business potential generated from the Subject of Valuation are expected to largely conform to those as forecasted by the Management;

- The Subject of Valuation will be able to retain existing and competent management, key personnel, and technical staff to support all facets of the ongoing business and future operations; and

- Trademarks, patents, technology, copyrights and other valuable technical and management knowhow will not be infringed in countries/regions where the Subject of Valuation is or will be carrying on business.

APPLICATION OF COST APPROACH

Methodology

The cost approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Valuation Date and how much it would cost to replace those assets and/or add the value of the component assets together to reach the value of the subject asset. In this valuation, all assets and liabilities on the financial accounts of the Subject of Valuation were included.

Summation Method

The summation method, also referred to as the underlying asset method, is typically used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings. The key steps in the summation method are: (a) value each of the component assets that are part of the subject asset using the appropriate valuation approaches and methods, and (b) add the value of the component assets together to reach the value of the subject asset.

In this valuation, as the major asset of the Subject of Valuation is the inventories and investment properties and there are no other major business operations other than property sales and lease rental of the investment properties, we considered that the sum of the value of individual assets and liabilities on book could represent the value of the Subject of Valuation and applied summation method.

Details of the statement of financial position of the Subject of Valuation as at the Valuation Date were as follows:

RMB	*Note*	Book Value	Fair Value Adjustment	Fair Value
NON-CURRENT ASSETS				
Property, plant and equipment		3,189,370	—	3,189,370
Investment properties	*1*	1,474,000,000	—	1,474,000,000
Deferred tax assets	*4*	33,986,785	(180,821,166)	(146,834,382)
Loan receivable	*6*	917,832,943	(158,854,324)	758,978,619
		2,429,009,098	(339,675,491)	2,089,333,607
CURRENT ASSETS				
Inventories	*1*	2,635,496,819	1,570,503,181	4,206,000,000
— Properties under development		2,529,523,115		
— Properties held for sale		105,973,704		
Trade and other receivables		1,049,245,240	—	1,049,245,240
Amounts due from related companies		—	—	—
Amount due from immediate holding company		—	—	—
Amounts due from fellow subsidiaries		—	—	—
Tax recoverable		197,875,915	—	197,875,915
Cash and cash equivalents		12,603,734	—	12,603,734
		3,895,221,709	1,570,503,181	5,465,724,889
CURRENT LIABILITIES				
Trade and other payables		(1,188,362,145)	—	(1,188,362,145)
Contract liabilities		(3,424,157,560)	—	(3,424,157,560)
Amounts due to related companies		—	—	—
Amount due to immediate holding company		(818,471)	—	(818,471)
Amounts due to fellow subsidiaries		(130,940)	—	(130,940)
Bank and other borrowings	*2*	(163,000,000)	—	(163,000,000)
Tax payable		(10,720,162)	—	(10,720,162)
		(4,787,189,278)	—	(4,787,189,278)
NET CURRENT ASSETS		(891,967,570)	1,570,503,181	678,535,611

RMB	*Note*	Book Value	Fair Value Adjustment	Fair Value
NON-CURRENT LIABILITIES				
Financial guarantee liabilities	*3*	—	(603,258)	(603,258)
Bank and other borrowings		(2,138,856,856)	—	(2,138,856,856)
Deferred tax liabilities	*4*	(92,855,885)	(211,804,629)	(304,660,514)
		(2,231,712,741)	(212,409,887)	(2,444,122,627)
Fair value of unadjusted equity value				323,746,591
Adjusted for Discount for lack of marketability	*5*			(9,712,398)
Fair value of implied equity value				314,034,193

* Numbers may not add up due to rounding

Assumption Notes:

1. The inventories of the Target Group comprise of properties under development and properties held for sale. The book value of the inventories and investment properties of Guangxi Baohui and Guangxi Shengze are adjusted to market value as at the Valuation Date. For details of the methodology and assumptions adopted, please refer to Appendix V Property Valuation Report.

2. Guangxi Baohui had drawn down the first tranche of borrowing of RMB163 million pursuant to terms and conditions of trust loan agreement dated 26 April 2019 entered into between Everbright Xinglong Trust Company Limited and Guangxi Baohui.

3. Pursuant to the property mortgage agreement entered into between Everbright Xinglong Trust Company Limited (the "Lender") and Jinan Baoneng, Guanxi Shengze acted as the security provider to secure the mortgage, Guangxi Shengze in turn provided a financial guarantee to Jinan Baoneng. The financial guarantee is fair valued as at the Valuation Date. For details of methodology and assumptions adopted, please refer to the following sections.

4. The deferred tax liabilities arise from the asset write-up of the inventories and investment properties because of respective valuation gains. Statutory tax rate of 25% in the PRC is applied to determine the deferred tax liabilities for illustrative purpose only.

5. Since the major assets and liabilities of the Target Group is related to the property which are marked to market value as at the Valuation Date, only 3% discount for lack of marketability is considered. For details of DLOM, please refer to section "Discount for Lack of Marketability".

6. The loan receivable is a loan received from third party in 5 years without interest. It is discounted to present value by credit adjusted discount rate.

DISCOUNT FOR LACK OF MARKETABILITY

A Discount for Lack of Marketability ("DLOM") reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset. For example, publicly-traded securities can be bought and sold nearly instantaneously while shares in a private company may require a significant amount of time to identify potential buyers and complete a transaction. Many bases of value allow the consideration of restrictions on marketability that are inherent in the subject asset but prohibit consideration of marketability restrictions that are specific to a particular owner. DLOMs may be quantified using any reasonable method, but are typically calculated using option pricing models, studies that compare the value of publicly-traded shares and restricted shares in the same company, or studies that compare the value of shares in a company before and after an initial public offering.

FINANCIAL GUARANTEE OVERVIEW

As at 25 May 2019, a property mortgage ("Property Mortgage") was given by Guangxi Shengze in favour of Everbright to secure the indebtedness of Jinan Baoneng under the repayment agreement entered into between Everbright and Jinan Baoneng. Pursuant to terms of the Property Mortgage, Guangxi Shengze provided guarantee with certain units of construction in progress of Wuxiang GFC Project as collateral. This in terms results in contingent guarantee liabilities ("Financial Guarantee") to Guangxi Shengze if Jinan Baoneng fails to repay the Property Mortgage. The characteristics of the Financial Guarantee are presented as follows:

Lender	Everbright Xinglong Trust Co., Ltd.
Borrower	Jinan Baoneng Real Estate Co., Ltd.
Collateral Provider	Guangxi Shengze Investment Co., Ltd.
Inception Date	27 May 2019
Expected Repayment Date	31 December 2020
Property Mortgage Amount (RMB)	450,000,000
Collateral Value (RMB)*	—
Exposure At Default (RMB)	450,000,000

Note:* Regarding the collateral under the Property Mortgage, it is owned by Guangxi Shengze, thus it is not considered as an effective collateral to reduce the exposure amount to Guangxi Shengze.

Pursuant to terms of the Property Mortgage, Seller also provided guarantee to the Property Mortgage besides Guangxi Shengze. As at 29 September 2019, in order to reduce financial impact on Guangxi Shengze, Seller had undertaken to repay the guarantee liabilities of the Property Mortgage at the first order and promised not to cause any loss to Guangxi Shengze.

VALUATION METHODOLOGY OF FINANCIAL GUARANTEE

Principle of Calculation

The calculation formula for fair value of the Financial Guarantee is presented as follows:

Fair Value = EAD x PD x (1−RR) x Discount Factor

Where:
EAD = Exposure at default
PD = Probability of default
RR = Recovery rate

- Exposure at default ("EAD) is the total value that a party is exposed to when a counter-party defaults. Default is considered as failure to meet repayment or debt obligations.
- Probability of default ("PD") is the likelihood of a counter-party default during a particular time period.
- Recovery rate ("RR") is the percentage of contractual claims that would be recovered if the counter-party defaults.
- Discount Factor applies risk free rate to discount the future loss into present value

Financial Ratio Analysis

Financial metrics critical to credit assessment are analysed and benchmarked against the metrics of bond issuers with different rating category to estimate the financial health of the subject company. An estimated rating or rating category is assigned.

Benchmarking Empirical Data

Based on the estimated rating or rating category assigned, we estimate the respective default rates and recovery rates by making reference to empirical default studies published by Standard & Poor's and Moody's.

MAJOR ASSUMPTIONS OF FINANCIAL GUARANTEE

Credit Assessment

We have performed credit assessment by making reference to financial metrics by rating issued by Moody's. As the Seller has undertaken the guarantee liabilities at the first order, the lower of the estimated rating between Jinan Baoneng and the Seller would be adopted in valuation. After an estimated rating is assigned, the default rates and recovery rates are derived with respect to the estimated rating and tenor of the underlying contingent liabilities.

When estimating the exposure at default, we have assumed that the default or non-performance would occur in the middle of the guarantee period. Loss given default is calculated by exposure at default multiplied by 1-recovery rate. Risk free rate is then used for discounting the loss given default to present value.

Financial ratios analysis	Credit scoring has been performed covering key financial metrics for credit analysis such as EBITA, EBITDA, free operating cash flow, debt level and operating margin. The financial ratios calculated benchmarked against the credit research papers of Moody's and Standard & Poor's ("S&P"), two prominent global credit rating agencies.
Adopted Cumulative Default Rate ("PD")	0.24%
Recovery Rate ("RR")	44.20%
Loss Rate – PD x (1 – RR)	0.24%*(1–44.20%) = 0.14% (rounded)

It should be noted that our credit assessment is not a complete credit rating process. We are not expressing any opinion in credit rating during our assessment process. The assessment mainly focuses on benchmarking the key financial metrics of Jinan Baoneng and the Seller against the average financial metrics of Moody's and S&P rated companies to estimate a default rate and recover rate applicable in this case.

Exposure At Default (EAD)	**Loss Rate**	**Expected Loss (EAD x Loss Rate)**	**Discount Period (T)**	**Risk-free (Rf)**	**Discount Factor (DF) $(1/(1+Rf)^T)$**
450,000,000	0.14%	612,155	0.67	1.712%	0.9887

Fair Value of the Financial Guarantee	=	Expected Loss x DF
	=	RMB612,155 x 0.988734
	=	RMB605,258

* Numbers may not correspond with the products of separate figures due to rounding

STATEMENT OF LIMITING CONDITIONS

This business valuation relies upon the following contingent and limiting conditions:

- We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.
- The business interest and subject business assets have been valued free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exit.
- All information provided by the client and others is considered to be accurate. However, we offer no assurance as to its accuracy.
- Unless stated otherwise in this report, we have assumed compliance with the applicable local laws and regulations.
- Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the subject business or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.
- The report may not fully disclose all the information sources, discussions and business valuation methodologies used to reach the conclusion of value. Supporting information concerning this report is on file with the business valuer.
- The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed.
- The opinion of value expressed in this report does not obligate us to give testimony or attend court proceedings with regard to the subject business assets, properties or business interests, unless such arrangements have been made previously.
- Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.
- This report is valid only for the date specified herein.

CONCLUSION OF VALUE

In conclusion, based on the analyses as fully described in this valuation report and the valuing methodologies which we have employed, we are of the opinion that the Fair Value in Shenzhen Baoneng Hengchuang Industrial Limited as at 31 August 2019 is as follows.

Subject of Valuation	Valuation Result
Shenzhen Baoneng Hengchuang Industrial Limited (Rounded)	RMB314,034,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor any prospective interests in the subject under valuation. Moreover, we have neither personal interests nor any bias with respect to the any of the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
VALTECH VALUATION ADVISORY LIMITED

INVOLVED STAFF BIOGRAPHY

Max Tsang, *CPA, CFA, FRM, MRICS, MStat*

Mr. Tsang has been working in the professional valuation field since 2011. Before joining the valuation field, he worked in banking and finance sector from 2008 to 2010. Mr. Tsang has been leading a team of business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support. The scope of services includes business valuation and intangible asset valuation.

He has performed valuation and provided fairness opinion for listed companies in the United States, Australia and Germany. He has participated in many representative projects, such as valuation of global luxury brands, oil and gas extraction in the United States and Canada, BOT infrastructural project, solar and wind power plants, banks, logistic hub in Singapore, toll road in the United Kingdom, container port in Brazil and premium food manufacturer in Spain.

He has provided valuation advisory services for private equity funds in Hong Kong and the PRC regarding market value assessment of the general partner's stakes and investment portfolios for valuation control and financial reporting purposes (including compliance with IFRS 9). The investment portfolios included renowned internet and technology companies as well as infrastructural projects in China.

He has also served as the expert witness for litigation. He is also experienced in valuation of overseas project for State-owned Assets Supervision and Administration Commission of the State Council (SASAC) filing in the PRC. The valuation reports prepared by Mr. Tsang and his team have been regularly referenced by Hong Kong listed companies in their circulars, including companies in agriculture, retail, mining, internet, automobile, education, financial services, multimedia, internet, real estate, entertainment, electronic equipment and infrastructural sectors.

Peggy Lai, *MHKIS, MRICS, MCIREA*

Sr Peggy Lai has joined the valuation industry since 1993 and has accumulated valuable experience in handling various and sizeable projects for the purposes of sale, merger, allocation of purchase price, accounting, public listing, joint-venture, mortgage, litigation, migration, land exchange, lease modification and rates and rental dispute.

Sr Lai has acquired extensive valuation and consultation experience throughout different countries and regions including the PRC, Hong Kong, Macau, Vietnam, the Philippines, Malaysia, Singapore, United Kingdom and Canada. She has involved in the appraisals of a wide variety of properties from some mega industrial complexes, bare sites and commercial development projects to ports, petroleum depots and cemeteries.

Keith Lui, *CFA, FRM*

Mr. Lui is a bachelor of science in quantitative finance and risk management science in university and has been working in the professional valuation field since 2013. Mr. Lui has been joining in business valuation industries for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions and financing since graduation. The scope of services includes business valuation, intangible asset valuation and financial instruments valuation.

He has participated in many representative projects, such as valuation of metal mining and processing in the PRC, oil and gas extraction in the United States and Canada, logistic hub in Singapore, container port in Brazil and household cleaning products in the United Kingdoms.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the "**Model Code**") were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity in which interests are held	Number of Shares	% of the issued share capital of the Company as at the Latest Practicable Date *(Note 2)*
Mr. Yao *(Note 1)*	Interest in controlled corporation	11,017,759,600	40.23
	Beneficial owner	44,468,000	0.16
Ye Weiqing	Beneficial owner	31,736,000	0.12

Notes:

1. Mr. Yao Jianhui was interested in the entire issued share capital of Tinmark Development Limited ("**Tinmark**"), which is the beneficial owner of 10,794,943,600 Shares. He was also interested in 222,816,000 Shares held by Qianhai Sports Group Limited, a subsidiary of the Company. He was deemed to be interested in all the Shares held by Tinmark by virtue of the SFO.

2. Based on 27,387,512,211 Shares in issue as at the Latest Practicable Date.

Long positions in the GSLG Shares and underlying GSLG Shares

Name of Director	Capacity in which interests are held	Number of Shares	% of the issued share capital of GSLG as at the Latest Practicable Date (Note 2)
Mr. Yao (Note 1)	Interest in controlled corporation	3,144,544,700	69.11
	Beneficial owner	1,314,000	0.03
Mr. Li Minbin	Beneficial owner	306,500	0.01
Mr. Zhang Chi	Beneficial owner	1,220,000	0.03

Note:

1. As at the Latest Practicable Date, Mr. Yao, through Tinmark and by himself, held 11,017,759,600 Shares and 44,468,000 Shares respectively, representing a total of approximately 40.39% of the total number of issued Shares, and the Company is an indirect holding company of each of Hong Kong Bao Xin Asset Management Limited ("**Hong Kong Bao Xin**"), Hong Kong Bao Da Financial Holdings Limited ("**Hong Kong Bao Da**") and Glory Sun Securities Limited ("**Glory Sun Securities**"). Therefore, Mr. Yao has been deemed to be interested in the 1,979,263,913 GSLG Shares, 1,144,151,739 GSLG Shares and 21,129,048 GSLG Shares held by Hong Kong Bao Xin, Hong Kong Bao Da and Glory Sun Securities, respectively.

2. Based on 4,550,104,797 GSLG Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Enlarged Group:

Long positions in the Shares and underlying Shares

Name of Shareholder	Capacity in which interests are held	Number of Shares	Total interests as to % of the issued share capital of the Company as at the Latest Practicable Date *(Note 2)*
Tinmark	Beneficial owner	10,794,943,600	39.42
	Interest in controlled corporation	222,816,000	0.81
前海人壽保險股份有限公司 (Qianhai Life Insurance Joint Stock Company Limited#)	Beneficial owner	4,219,560,000	15.41
Taiping Assets Management (HK) Company Limited *(Note 1)*	Investment manager	4,219,560,000	15.41

Notes:

1. Taiping Assets Management (HK) Company Limited is an investment manager of 前海人壽保險股份有限公司 (Qianhai Life Insurance Joint Stock Company Limited#) and was deemed to be interested in such Shares by virtue of the SFO.

2. Based on 27,387,512,211 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying

Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

Mr. Yao is the sole director of Tinmark. Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any proposed service agreements which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

(a) Interests in assets

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018 (the date up to which the latest published audited consolidated financial statements of the Group was made), acquired or disposed of by, or lease to any member of the Enlarged Group, or which were proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

(b) Interests in contracts

Save for the Amended Sale and Purchase Agreement, as at the date of this circular, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Enlarged Group.

(c) Interests in competing business

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

(d) Remuneration of directors of the Target Group

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

5. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified Public Accountants
Valtech Valuation Advisory Limited	Independent professional property valuer and business valuer
Guangdong Geyu Law Firm	PRC Legal Advisers

The above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter(s), report(s), opinion and/or references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2018 (being the date up to which the latest published audited consolidated financial statements of the Group were made), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and, insofar as the Directors were aware, no litigation or claims of material importance was pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular:

(a) the subscription agreement dated 3 December 2017 entered into between the Company as issuer and Shiny Palace Development Limited as subscriber in respect of the subscription of 1,190,476,000 new Shares (the "**Shiny Palace Subscription Shares**") at HK$0.63 per Share;

(b) the subscription agreement dated 3 December 2017 entered into between the Company and Discovery Key Investments Limited as subscriber in respect of the subscription of 1,190,476,000 new Shares at HK$0.63 per Share;

(c) the subscription agreement dated 3 December 2019 entered into between the Company and Champion Radiant Enterprises Limited as subscriber in respect of the subscription of 476,188,000 new Shares at HK$0.63 per Share;

(d) the subscription agreement dated 4 December 2017 entered into between GSLG as issuer and Tengyue Limited as subscriber in respect of the subscription of 340,521,351 GSLG Shares at HK$0.55 per GSLG Share;

(e) the facility letter dated 28 December 2017 entered into between Glory Sun Credit Limited, a non wholly-owned subsidiary of the Company, as lender and Grand Luxe Limited as borrower and an independent third party as guarantor in respect of a standby facility of up to HK$360,000,000;

(f) the placing agreement dated 10 January 2018 entered into between GSLG as issuer and CCB International Capital Limited as placing agent in respect of the placing of 1,634,502,485 GSLG Shares at the placing price of HK$0.5 per GSLG Share;

(g) the subscription agreement dated 10 January 2018 entered into between GSLG as issuer and Tengyue Limited as subscriber in respect of the subscription of 408,625,621 GSLG Shares at the subscription price of HK$0.5 per GSLG Share;

(h) the joint venture agreement dated 7 February 2018 entered into by and among the Company, Yunnan Energy Investment (HK) Co. Limited (香港雲能國際投資有限公司), Right Dimension Limited (正維有限公司) and Forever Assiduous Group Limited (永勤集團有限公司) in respect of the formation of a joint venture with a share capital of HK$2,000,000,000;

(i) the equity acquisition agreement dated 7 March 2018 entered into between 寶能城市發展建設集團有限公司 (Baoneng City Development and Construction Company Limited#) (''**Baoneng City Development**'') as vendor and the Purchaser as purchaser in respect of the acquisition of 60% equity interest in 渭南市寶能置業有限公司 (Weinan Baoneng Property Company Limited#) (''**Weinan Company**'') from Baoneng City Development for a consideration of RMB1 and an obligation to make capital contribution of RMB180,000,000 by the Purchaser to Weinan Company;

(j) the sale and purchase agreement dated 23 April 2018 entered into between Laihua Taisheng as purchaser and 萊華商置有限公司 (LaiHua Properties and Investment Limited#) as vendor in respect of the acquisition of 萊華泰豐有限公司 (Laihua Taifeng Limited#) holding the property development project in the name of "太古城" (Taigu Plaza#) located at Zhangjiang New District, Ganzhou City, JiangxiProvince, the PRC at a total consideration of RMB660,000,000;

(k) the investment agreement dated 26 April 2018 entered into among Purchaser as investor, 深圳市錦汕實業有限公司 (Shenzhen Jinshan Industrial Company Limited#) and Mr. Xie Bin as existing shareholders, and 湖南美聯置業有限公司 (Hunan Meilian Property Company Limited#) ("**Hunan Meilian**") as the target company in respect of the contribution of RMB83,265,036 as additional capital and RMB116,734,964 as capital reserve of Hunan Meilian for the acquisition of 51% equity interest in Hunan Meilian;

(l) the sale and purchase agreement dated 3 June 2018 entered into between Hua Tong Group Limited (華通集團有限公司) as purchaser and Glory Sun Financial Holdings Limited ("**GSFH**"), a wholly-owned subsidiary of the Company, as vendor in relation to the disposal of 28% of the entire issued share capital of Golden Affluent Limited (金裕有限公司) at a consideration of HK$168,200,000;

(m) the sale and purchase agreement dated 31 October 2018 entered into by, among others, Wisdom Element Limited as vendor and New Sports Investment Holding Limited as purchaser in respect of the acquisition of 80,000,000 shares in Micron Technology Development Limited for a consideration of HK$180,000,000;

(n) the sale and purchase agreement dated 28 November 2018 entered into between Hong Kong Bao Da, a wholly-owned subsidiary of the Company, as purchaser and Ms. Ai Qing (艾青) and Boot Gain Investments Limited as vendors in relation to the acquisition of 1,144,151,739 GSLG Shares at a total consideration of HK$411,894,626;

(o) the settlement agreement dated 7 December 2018 entered into by, among other parties, GSLG, 寶新控股有限公司 (Baoxin Holdings Company Limited#) ("**Baoxin Holdings**"), Xu Rong, Zhou Xu, and Century Edge International Limited in respect of, among others things, (i) the payment of the settlement sum of RMB110,000,000 by Xu Rong, Zhou Xu, and Century Edge International Limited to the Company in relation to the adjustment amount for the consideration for the acquisition of the entire issue share capital in Kingworld Holdings Limited ("**Kingworld**"); and (ii) the endeavour of Xu Rong, Zhou Xu, and Century Edge International Limited to introduce an interested third party to purchase the entire issued share capital of Kingworld;

(p) the sale and purchase agreements both dated 10 January 2019 entered into between GSFH as purchaser and Ascend Fortune Ventures Limited (財昇創投有限公司) and Merit Faith Ventures Limited (優信創投有限公司) as vendors in respect of the acquisition of 20% of the entire issued share capital in each of Affluent Advantage Limited, Proficient Power Limited, Prominent Up Limited, Fast Prestige Limited, Novel Forward Limited, Gigantic Increase Limited, Metro Grow Limited and Stellar Result Limited at a total consideration of HK$200,000,000 which is subject to adjustment(s), details of which are set out in the Company's announcements dated 10 January 2019 and 15 January 2019;

(q) the sale and purchase agreement dated 17 January 2019 entered into by and among Hong Kong Bao Xin as purchaser and Upright Hoist Limited, Zhang Xiaodong, Tengyue Limited and Wu Teng as vendor parties in respect of the acquisition of 1,509,180,611 GSLG Shares and the issue of 1,509,180,611 Shares as consideration for the acquisition, as amended and supplemented by a supplemental agreement dated 18 January 2019 entered into among the same parties;

(r) the acquisition agreement dated 23 April 2019 entered into between the Seller as vendor and the Target Company as purchaser in respect of the transfer of the entire equity interest of Guangxi Baohui for a consideration of RMB810,000,000;

(s) the acquisition agreement dated 23 April 2019 entered into between 創邦集團有限公司 (Chuangbang Group Limited#) as vendor and the Target Company as purchaser in respect of the transfer of the entire equity interest of Guangxi Shengze for a consideration of RMB150,000,000;

(t) the Amended Trust Loan Facility Agreement;

(u) the equity pledge agreement dated 26 April 2019 entered into between the Target Company as pledgor and Ping An as pledgee in respect of the equity pledge over the entire equity interest in Guangxi Baohui;

(v) the property mortgage agreement dated 26 April 2019 entered into between Guangxi Baohui as mortgagor and Ping An as mortgagee in respect of the mortgage over the property units in the buildings in Wuxianghu No. 1 Project;

(w) the property mortgage agreement dated 25 May 2019 entered into between Guangxi Shengze as mortgagor and Everbright as mortgagee in respect of the Property Mortgage;

(x) the subscription agreement dated 18 June 2019 entered into between GSLG as issuer and Hongkun Limited as subscriber in respect of the subscription of 277,600,000 GSLG Shares at the subscription price of HK$0.45 per GSLG Share;

(y) the subscription agreement dated 18 June 2019 entered into between GSLG as issuer and Smart Omen Limited as subscriber in respect of the subscription of 101,400,000 GSLG Shares at the subscription price of HK$0.45 per GSLG Share;

(z) the capital injection agreement dated 24 June 2019 entered into by and among Baoxin Holdings as existing shareholder, 深圳市科信時代實業投資有限公司 (Shenzhen Ke Xin Shi Dai Industrial Investment Company Limited#) as investor and the Purchaser as target company in respect of the capital injection of a total of RMB1,235,500,000;

(aa) the subscription agreement dated 10 July 2019 entered into between the Company as issuer and Tinmark as subscriber in respect of the subscription of 4,000,000,000 Shares at the subscription price of HK$0.25 per Share;

(bb) the equity transfer agreement dated 14 August 2019 entered into between Guangxi Shengze as vendor and the Seller as purchaser in respect of the transfer of the entire equity interest of 廣西寶能房地產開發有限公司 (Guangxi Baoneng Real Estate Development Limited#) for a consideration of RMB10,000,000;

(cc) the equity transfer agreement dated 14 August 2019 entered into between Guangxi Shengze as vendor and the Seller as purchaser in respect of the transfer of the entire equity interest of 桂林寶能房地產開發有限公司 (Guilin Baoneng Real Estate Development Limited#) for a consideration of RMB10,000,000;

(dd) the equity transfer agreement dated 14 August 2019 entered into between Guangxi Shengze as vendor and the Seller as purchaser in respect of the transfer of the entire equity interest of 桂林寶能投資有限公司 (Guilin Baoneng Investments Limited#) for a consideration of RMB10,000,000;

(ee) the Sale and Purchase Agreement; and

(ff) the Supplemental Agreement.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Units 1908 to 1909, 19/F, Tower 2, Lippo Centre, No.89 Queensway, Hong Kong from 9:00 a.m. to 12:30 p.m. and from 1:30 p.m. to 6:00 p.m. from the date of this circular up to and including the date of EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "7. Material Contracts" in this appendix;

(c) the letter from the Board, the text of which is set out on pages 7 to 21 of this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this circular;

(e) the letter from Gram Capital, the text of which is set out on pages 24 to 35 of this circular;

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

(g) the report on the Unaudited Pro Forma Financial Information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(h) the Property Valuation Report, the text of which is set out on Appendix V of this circular;

(i) the Equity Valuation Report, the text of which is set out on Appendix VI of this circular;

(j) the written consents referred to in the paragraph headed "5. Experts" in this appendix;

(k) the annual report of the Company for each of financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019;

(l) the circular of the Company dated 10 October 2019 in relation to the subscription of Shares by Tinmark; and

(m) this circular.

9. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Ho Ka Yiu Simon. Mr. Ho holds a Bachelor degree in Accountancy from The Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has nearly 20 years of experience in auditing, professional accounting and financial management. Prior to joining the Company, he worked in several international audit firms and served as a chief financial officer, company secretary and authorised representative in a listed company in Hong Kong.

(b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the principal place of business in Hong Kong is at Units 1908 to 1909, 19/F., Tower 2, Lippo Centre, No.89 Queensway, Hong Kong.

(c) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English texts of this circular shall prevail over the Chinese texts.

寶新金融集團有限公司
GLORY SUN FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01282)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of Glory Sun Land Group Limited (the "**Company**") will be held at Units 1908 to 1909, 19/F, Tower 2, Lippo Centre, No.89 Queensway, Hong Kong on Thursday, 19 December 2019 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with our without amendment(s), the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

   (a) the Amended Sale and Purchase Agreement (as defined in the circular of the Company dated 29 November 2019 (the "**Circular**"), a copy of which is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed in all respects; and

   (b) any one director of the Company (the "**Director**") be and is hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which in the opinion of the Director may be necessary, appropriate, desirable or expedient to implement and/or give effect to the Amended Sale and Purchase Agreement or the transactions contemplated thereunder as aforesaid."

Yours faithfully,
For and on behalf of the Board
Glory Sun Financial Group Limited
Yao Jianhui
Chairman and Chief Executive Officer

Hong Kong, 29 November 2019

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Units 1908 to 1909, 19/F
Tower 2, Lippo Centre
No. 89 Queensway
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting (or any adjournment of the meeting) is entitled to appoint one, or if he/she is a holder of more than one share, or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. In order to be valid, the completed form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).

3. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM and any adjournment of the meeting if you so wish, and if such event, the form of proxy will be deemed to be revoked.

4. In the case of joint registered holders of any share in the Company, any one of such persons may vote at the above meeting, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders are present at the above meeting personally or by proxy, that one so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote to the exclusion of other joint holders.

5. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Monday, 16 December 2019 to Thursday, 19 December 2019 (both days inclusive) and during such period no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than Friday, 13 December 2019.

6. Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice will be decided by poll at the General Meeting. Where the Chairman in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by a show of hands.

7. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or extreme conditions is/are in force at or after 7:00 a.m. on date of the EGM and/or the Hong Kong Observatory or the Government of Hong Kong has announced at or before 7:00 a.m. on date of the EGM that either of the above mentioned warnings is to be issued within the next two hours, the EGM shall be postponed. The Company will post an announcement on the websites of the Company and the Stock Exchange to notify the Shareholders of the date, time and place of the rescheduled meeting.

8. The EGM will be held as scheduled when an amber or red rainstorm warning signal is in force. Members should make their own decision as to whether they would attend the EGM under bad weather conditions bearing in mind their own situations and if they choose to do so, they are advised to exercise care and caution.

As at the date of this notice, the Company's executive directors are Mr. Yao Jianhui, Ms. Ye Weiqing, Mr. Lau Wan Po, Mr. Li Minbin and Mr. Huang Wei; the non-executive director is Mr. Zhang Chi; and the independent non-executive directors are Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew, and Mr. Lee Kwan Hung, Eddie.

This circular, in both English and Chinese versions, is now available in printed form and on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.hk1282.com.

In the case of any inconsistency between the Chinese version and the English version of this circular, the English version will prevail.

For identification purposes only