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 you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Kingwell Group Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

KINGWELL GROUP LIMITED
京維集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

VERY SUBSTANTIAL ACQUISITION ACQUISITION OF 51% EQUITY INTERESTS OF PROPERTY MANAGEMENT COMPANIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

AMASSE CAPITAL
寶 積 資 本

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

A notice convening the EGM to be held at Conference Room, Units 314-315, 3/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 19 April 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed with this circular. The proxy form can also be downloaded from websites of the Company at http://kingwell.todayir.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. As set out in the section headed "Special Arrangements for the EGM" of this circular, the EGM will be a hybrid meeting. The Company strongly encourages Shareholders to exercise their rights to attend and vote at the EGM by electronic facilities. As Shareholders will not be permitted to attend the EGM in person, all Shareholders (other than those who are required to attend the EGM physically to form a quorate meeting) who wish to appoint a proxy to attend and vote at the EGM shall appoint the Chairman of the EGM as their proxy (for Shareholders who are required to attend the EGM physically to form a quorate meeting, a senior management member and/or a senior staff member of the Company shall be appointed as their proxy) by completing, signing and returning the proxy form in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in the case of an appointment of proxy in hard copy or for a poll taken more than 48 hours) or to the electronic address specified in the EGM notice or in the proxy form (in the case of appointment of proxy in electronic form or for a poll taken more than 48 hours). For the EGM convened to be held on Tuesday, 19 April 2022 at 11:00 a.m., the deadline to submit completed proxy forms is Sunday, 17 April 2022 at 11:00 a.m. in the case of an appointment of proxy in hard copy form or in electronic form, or after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll in the case of a poll taken more than 48 hours.

To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

25 March 2022

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The Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote, but is conscious of the need to protect EGM attendees from possible exposure to the COVID-19 pandemic. **For the health and safety of EGM attendees, the Company would be adapting the arrangements for the EGM to minimise attendance in person, while still enabling Shareholders to vote and ask questions. Details of the special arrangements for the EGM are set out below.**

ATTENDING THE EGM BY MEANS OF ELECTRONIC FACILITIES

The EGM will be a hybrid meeting. The EGM will be held with the minimum number of persons present as is required under the articles of association of the Company to form a quorate meeting, together with a limited number of other attendees to ensure the proper conduct of the meeting. The quorum will be formed by the senior management members and/or senior staff members of the Company who are Shareholders and/or their proxies to maintain an internal grouping and minimise the continuing risks posed by the COVID-19 pandemic at the EGM.

Given the above reasons, **NO other Shareholder, proxy or corporate representative should attend the EGM in person.** Other than those in the quorum and the limited number of other attendees to ensure the proper conduct of the meeting, any other person who attempts to do so will be excluded and will not be permitted entry to the venue of the EGM.

The Company strongly encourages Shareholders to attend, participate and vote at the EGM through online access by visiting the website – **http://meetings.computershare.com/MX64AFA** (the "**Online Platform**"). Shareholders participating in the EGM using the Online Platform will also be counted towards the quorum and they will be able to cast their vote and submit questions through the Online Platform.

The Online Platform permits a "split vote" on a resolution, in other words, a Shareholder casting his/her/its votes through the Online Platform does not have to vote all of his/her/its shares in the same way ("**For**" or "**Against**"). In the case of a proxy, he/she can vote such number of shares in respect of which he/she has been appointed as a proxy. Votes cast through the Online Platform are irrevocable once the voting session at the EGM ends.

The Online Platform will be open for registered Shareholders and non-registered Shareholders (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the EGM and can be accessed from any location with internet connection by a smart phone, tablet device or computer. Shareholders should allow ample time to check into the Online Platform to complete the related procedures. Please refer to the Online User Guide for the EGM at the website of the Company (https://kingwell.todayir.com) for assistance.

Login details for registered Shareholders

Details regarding the EGM arrangements including login details to access the Online Platform are included in the Company's notification letter to registered Shareholders (the "**Shareholder Notification**") sent together with this circular.

Login details for non-registered Shareholders

Non-registered Shareholders who wish to attend, participate and vote at the EGM using the Online Platform should:

(1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (together, the "**Intermediary**") to appoint themselves as proxy or corporate representative to attend the EGM; and

(2) provide their email address to their Intermediary before the time limit required by the relevant Intermediary.

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited, to the email address of the non-registered Shareholders provided by the Intermediary. Any non-registered Shareholder who has provided an email address through the relevant Intermediary for this purpose but has not received the login details by email by 11:00 a.m. on Monday, 18 April 2022 should reach out to the Hong Kong branch share registrar of the Company for assistance. Without the login details, non-registered Shareholders will not be able to participate and vote using the Online Platform. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

Login details for proxies or corporate representatives

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited, to the email address of the proxies provided to it in the relevant proxy forms.

Registered and non-registered Shareholders should note that only one device is allowed in respect of each set of login details. Please also keep the login details in safe custody for use at the EGM and do not disclose them to anyone else. Neither the Company nor its agents assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for voting or otherwise.

QUESTIONS AT AND PRIOR TO THE EGM

Shareholders attending the EGM using the Online Platform will be able to submit questions relevant to the proposed resolution online during the EGM. Shareholders can also send their questions by email from Thursday, 14 April 2022 (9:00 a.m.) to Sunday, 17 April 2022 (5:00 p.m.) to 1195@kingwellgroup.com.hk (for registered Shareholders, please state the 10-digit shareholder reference number starting with "C" (SRN) as printed on the top right corner of the Shareholder Notification).

Whilst the Company will endeavour to respond to as many questions as possible at the EGM, due to time constraints, unanswered questions may be responded to after the EGM as appropriate.

APPOINTMENT OF PROXY IN ADVANCE OF THE EGM

Shareholders are encouraged to submit their completed proxy forms well in advance of the EGM. Return of a completed proxy form will not preclude Shareholders from attending and voting by means of electronic facilities at the EGM or any adjournment or postponement thereof should they subsequently so wish.

Submission of proxy forms for registered Shareholders

A proxy form for use at the EGM is enclosed with this circular. A copy of the proxy form can also be downloaded from the websites of the Company at http://kingwell.todayir.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

The deadline to submit completed proxy forms is:

(1) in the case of an appointment of proxy in hard copy form, Sunday, 17 April 2022 at 11:00 a.m., with the completed proxy form being deposited at the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong;

(2) in the case of an appointment of proxy in electronic form, Sunday, 17 April 2022 at 11:00 a.m., with the completed proxy form being received at the electronic address specified in the EGM notice or in the proxy form; or

(3) in the case of a poll taken more than 48 hours, after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll, with the completed proxy form being received as aforesaid.

Appointment of proxy for non-registered Shareholders

Non-registered Shareholders should contact their Intermediary as soon as possible for assistance in the appointment of proxy.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change or adopt contingency plans for the EGM arrangements at short notice, and the Company will ensure that the EGM arrangements are in compliance with the articles of association of the Company. While the Company will use its best endeavours to provide necessary updates to the Shareholders on its website at http://kingwell.todayir.com regarding the EGM arrangements, Shareholders should check the latest policies and notices announced by the Hong Kong Government and the website of the Company at http://kingwell.todayir.com for future updates on the EGM arrangements.

If Shareholders have any questions relating to the EGM, please contact Hong Kong Registrars Limited, the Hong Kong branch share registrar of the Company, as follows:

Hong Kong Registrars Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Telephone: +852 2862 8555
Facsimile: +852 2865 0990
Website: www.computershare.com/hk/contact

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

"Acquisition"	the acquisition of the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares by the Purchaser from the Vendor pursuant to the Agreement
"Agreement"	the conditional equity transfer agreement dated 18 January 2022 and entered into by the Purchaser, the Vendor, Shenzhen Hailian and Huiyang Peninsula One in respect of the Acquisition
"Board"	the board of Directors
"Business Day(s)"	a day on which banks are generally open for regular banking business in the PRC, other than Saturdays, Sundays and public holidays
"Company"	Kingwell 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
"Completion"	completion of registration of industrial and commercial changes for the Acquisition in accordance with the terms of the Agreement
"Completion Date"	date of the Completion, being the date of completion of registration of industrial and commercial changes for the Acquisition
"Consideration"	RMB15.50 million, being the consideration for the Acquisition
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve the Agreement and the transaction contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Property Management Companies Group upon Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huiyang Peninsula One"	惠州市惠陽半島壹號物業管理有限公司 (Huizhou Huiyang Peninsula One Property Management Co., Ltd.*), a company incorporated in the PRC with limited liability
"Huiyang Peninsula One Sale Shares"	51% equity interests of Huiyang Peninsula One
"Independent Third Party(ies)"	a third party(ies) which is independent of and not connected with the Company and its connected persons and not a connected person of the Company
"Latest Practicable Date"	21 March 2022, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular
"Letter of Intent"	the letter of intent dated 19 November 2021 entered into between the Purchaser and the Vendor with respect to the Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Property Management Companies"	Shenzhen Hailian and Huiyang Peninsula One
"Property Management Companies Group"	the Property Management Companies and their subsidiaries and branches, and any entity directly or indirectly controlled by them and other affiliated companies (if any)
"Purchaser"	深圳融匯控股集團有限公司 (Shenzhen Integration Holding Group Co. Ltd.*), a wholly-owned subsidiary of the Company and incorporated in the PRC with limited liability
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each in the issued share capital of the Company as at the Latest Practicable Date
"Shareholder(s)"	holder(s) of the Share(s)

"Shenzhen Hailian"	深圳市海聯物業管理有限公司 (Shenzhen Hailian Property Management Co., Ltd.*), a company incorporated in the PRC with limited liability
"Shenzhen Hailian Sale Shares"	51% equity interests in of Shenzhen Hailian
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	中建蛇口發展有限公司 (China Construction Shekou Development Co., Ltd.*), a company incorporated in the PRC with limited liability
"%"	per cent

For illustration purpose only, conversion of RMB into HK$ is based on the exchange rate of RMB1.00 to HK$1.23.

* *for identification purposes only*

KINGWELL GROUP LIMITED
京維集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

Executive Directors:
Mr. Mu Dongsheng *(Chairman and Chief Executive Officer)*
Mr. Du Yun

Independent non-executive Directors:
Mr. Cheung Chuen
Mr. Ling Aiwen
Mr. Lu Lin

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

Principal Office in Hong Kong:
Units 314-315, 3/F
Wing On Plaza
62 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

25 March 2022

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF 51% EQUITY INTERESTS OF PROPERTY MANAGEMENT COMPANIES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 18 January 2022 in respect of the Acquisition.

On 18 January 2022 (after trading hours), the Purchaser (as purchaser), a wholly-owned subsidiary of the Company, the Vendor (as vendor), Shenzhen Hailian and Huiyang Peninsula One entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares, being 51% equity interest in each of Shenzhen Hailian and Huiyang Peninsula One, at the Consideration of RMB15.50 million (equivalent to approximately HK$19.07 million), which will be satisfied by cash.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Properties Management Companies; (iii) pro forma financial information on the Enlarged Group; and (iv) notice of the EGM.

THE AGREEMENT

The principal terms of the Agreement are summarized as follows:

Date

18 January 2022 (after trading hours)

Parties

(i) Purchaser: 深圳融匯控股集團有限公司 (Shenzhen Integration Holding Group Co. Ltd.*), a wholly-owned subsidiary of the Company;

(ii) Vendor: 中建蛇口發展有限公司 (China Construction Shekou Development Co., Ltd.*);

(iii) Shenzhen Hailian; and

(iv) Huiyang Peninsula One.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares, being 51% equity interest in each of Shenzhen Hailian and Huiyang Peninsula One.

Consideration

The Consideration of an aggregate value of RMB15.50 million (equivalent to approximately HK$19.07 million) shall be paid by the Purchaser to the Vendor in cash and financed by Company's internal resources in the following manner:

(i) 50% of the Consideration (being RMB7.75 million (equivalent to approximately HK$9.533 million)) shall be payable by the Purchaser to the Vendor within ten (10) Business Days upon all of the condition precedents to the Agreement are satisfied (the "**First Consideration Payment**"); and

(ii) 50% of the Consideration (being RMB7.75 million (equivalent to approximately HK$9.533 million)) shall be payable by the Purchaser to the Vendor within ten (10) Business Days from the Completion Date.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to among others, (i) the positive performance of the Property Management Companies as they recorded combined net profit after tax for the two years ended 31 December 2019 and 2020, and for the nine months ended 30 September 2021; (ii) the price to earnings ratios ("**P/E ratio(s)**") of 31 comparable companies (the "**Comparable Companies**") listed in Hong Kong principally engaged in property management business in the PRC which ranging from approximately 2.3 times to 83.0 times with a median of approximately 19.3 times ((x) based on the market price of the Comparable Companies as at 31 December 2021 and their latest published annual reports; and (y) excluding an outliner with a P/E ratio of approximately 5,853.9 times); and (iii) the Consideration represents a P/E ratio of approximately 5.9 times (based on the combined net profit of the Property Management Companies for the year ended 31 December 2020), which is below the median of the P/E ratio of the Comparable Companies.

To the best of the Company's knowledge and endeavour, the Comparable Companies are exhaustive as far as the Company is aware of. The details of P/E ratios analysis are set out in the table below:

Company Name	**Stock Code**	**Market capitalization as at 31 December 2021** *(Note 1)* *Approx. HK$ 'million*	**P/E Ratio as at 31 December 2021** *(Note 2)*	**P/E Ratio as at Latest Practicable Date** *(Note 3)*
GR Properties Limited	108	3,231.37	5,853.9	6,839.2
Shimao Services Holdings Limited	873	13,436.03	15.9	13.8
Huafa Property Services Group Company Limited	982	1,509.14	41.0	35.6
Jiayuan Services Holdings Limited	1153	2,092.04	26.1	26.1
China Resources Mixc Lifestyle Services Limited	1209	82,968.88	83.0	82.2
Riverine China Holdings Limited	1417	741.15	23.1	21.4
Financial Street Property Co., Limited	1502	370.53	10.5	8.4
Sunac Services Holdings Limited	1516	24,523.65	33.4	21.0

Company Name	Stock Code	Market capitalization as at 31 December 2021 *(Note 1)* *Approx. HK$ 'million*	P/E Ratio as at 31 December 2021 *(Note 2)*	P/E Ratio as at Latest Practicable Date *(Note 3)*
Zhong Ao Home Group Limited	1538	521.28	3.2	3.0
Colour Life Services Group Co., Limited	1778	1,398.27	2.3	1.6
Yincheng Life Service CO., Ltd.	1922	999.15	12.1	10.7
Ye Xing Group Holdings Limited	1941	255.35	10.1	7.5
Redsun Services Group Limited	1971	1,755.45	20.6	15.0
CIFI Ever Sunshine Services Group Limited	1995	21,187.35	44.4	38.4
First Service Holding Limited	2107	1,300.00	11.2	7.0
C&D Property Management Group Co., Ltd	2156	5,946.36	45.8	35.2
China Overseas Property Holdings Limited	2669	27,182.34	38.8	35.0
Greentown Service Group Co. Ltd	2869	23,366.13	26.9	25.7
Binjiang Service Group Co. Ltd	3316	6,053.31	22.5	21.7
A-Living Smart City Services Co., Ltd.	3319	18,886.01	8.8	8.3
Aoyuan Healthy Life Group Company Limited	3662	1,772.05	5.8	4.6
KWG Living Group Holdings Limited	3913	6,454.75	16.3	14.5
Poly Property Services Co., Ltd.	6049	9,399.34	41.2	34.5
Hevol Services Group Co. Limited	6093	2,340.80	34.0	32.7
Country Garden Services Holdings Company Limited	6098	157,195.37	48.1	35.7
Evergrande Property Services Group Limited	6666	28,540.54	8.8	7.7
Sino-Ocean Service Holding Limited	6677	5,695.04	18.1	8.1
Excellence Commercial Property & Facilities Management Group Limited	6989	5,647.90	14.2	12.1
Jinke Smart Services Group Co., Ltd	9666	22,164.19	29.3	22.6
Xingye Wulian Service Group Co. Ltd.	9916	380.00	7.1	6.4
Times Neighborhood Holdings Limited	9928	2,848.59	10.0	7.6
	Minimum		2.3	1.6
	Maximum (Excluded outliner) *(Note 4)*		83.0	82.2
	Median (Excluded outliner) *(Note 4)*		19.3	14.8
	Mean (Excluded outliner) *(Note 4)*		23.8	20.1
	Adjusted Median (Excluded outliner) *(Note 4 & 5)*		20.1	15.4
	Adjusted Mean (Excluded outliner) *(Note 4 & 5)*		24.8	21.0
The Consideration			5.9	

Note:

1. The market capitalization is calculated by multiplying the total number of outstanding shares of the Comparable Companies as at 31 December 2021 with their respective closing share price as at 31 December 2021.

2. The P/E ratio as at 31 December 2021 is calculated by dividing the market capitalization as at 31 December 2021 of the Comparable Companies with their profit attributable to owners of the companies for the latest financial year.

3. The P/E ratio as at the Latest Practicable Date is calculated by dividing the market capitalization as at the Latest Practicable Date of the Comparable Companies with their profit attributable to owners of the companies for the latest financial year.

4. The P/E ratio of GR Properties Limited ("**GR Properties**") as at 31 December 2021 is approximately 5,853.9 times, which is more than two hundred times of the average P/E ratio of other Comparable Companies. Having considered the significant deviation from other Comparable Companies in terms of P/E ratio, the Company considers it as an outlier.

5. Reference is made to the circular (the "**Hevol Circular**") of Hevol Services Group Co. Limited ("**Hevol Services**") dated 22 December 2021 in relation to an acquisition of 70% equity interest in a property management company (the "**Hevol Target**") in the PRC by Hevol Services. According to the Hevol Circular, the valuer had adopted a discount for lack of marketability ("**DLOM**") of 20.6% and a control premium of 24.8% when calculated the valuation of the Hevol Target. As the Property Management Companies Group is a private group and the subjected sales shares are on controlling basis, an adjusted median and adjusted mean of the P/E ratio of the Comparable Companies which had adopted the DLOM and control premium had been calculated for illustration purpose.

As illustrated in the table above, the P/E ratio of the Comparable Companies as at 31 December 2021, excluded the outlier, range from a minimum of approximately 2.3 times to a maximum of approximately 83.0 times with a median, mean, adjusted median and adjusted mean of approximately 19.3 times, 23.8 times, 20.1 times and 24.8 times, respectively. The P/E ratio of the Consideration of approximately 5.9 times is below the median, the mean, the adjusted median and the adjusted mean of the P/E ratio of the Comparable Companies (excluded outlier). Based on the above, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions precedent:

(i) the parties to the Agreement have properly signed and delivered the transaction documents of the Acquisition, the format and content of which are in compliance with the main clauses of the Agreement and satisfy the parties to the Agreement;

(ii) the Purchaser has completed the audit and due diligence of the Property Management Companies Group, and obtained audit and due diligence reports that satisfy the requirements of the Purchaser (including but not limited to Purchaser's authority, the parent company and competent government department), and the Purchaser has obtained the internal approval and authorization for the Acquisition;

(iii) the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares do not have any encumbrances or defects, and the Vendor has complete, effective and legal disposition rights of the Shenzhen Hailian Sale Shares and the Huiyang Peninsula One Sales Shares, and the Vendor has obtained the internal approval and authorization for the Acquisition;

(iv) the Property Management Companies Group has completed all internal approval procedures (including but not limited to execute of the directors or board of directors resolutions, the shareholder resolutions or shareholders meeting' resolutions) for the Acquisition. Specifically, the existing shareholders of the Properties Management Companies Group has formally adopted shareholders meeting' resolutions or shareholder resolutions to: (i) approve the Acquisition, and the existing shareholders of the Properties Management Companies Group expressly and irrevocably waive any express or implied right of first refusal or other priority rights for the Acquisition; (ii) approve the Property Management Companies Group for signing all the transaction documents related to the Acquisition; and (iii) approve amendments to the articles of association of the Property Management Companies Group to reflect: (a) changes in the Property Management Companies Group's shareholders; (b) agree to establish a board of directors in compliance with the Agreement; (c) other matters that should be reflected under the transaction documents for the Acquisition;

(v) the Property Management Companies Group has obtained various government licenses, approvals, registrations, and filings required for its operations; there are no material adverse changes in the Property Management Companies Group' business, assets, personnel, and operations results, financial conditions and future prospects from the date of the Letter of Intent (i.e. 19 November 2021) to the Completion Date;

(vi) from the date of the Letter of Intent (i.e. 19 November 2021) to the Completion Date, the representations, the guarantees, the documents, and the explanation made and provided by the Vendor, the Property Management Companies Group, and the related parties and employees of the aforementioned entities under the transaction documents for the Acquisition and during the audit and due diligence process, are continue to be true, complete, accurate and fulfill the commitments stipulated in the transaction documents that should be performed on or before the Completion Date, and there is no violation of the transaction documents for the Acquisition;

(vii) the Acquisition has been approved by the Stock Exchange and the relevant regulatory authorities, and all the approvals, registrations, and filings required for the Acquisition have been completed; and

(viii) the Acquisition having been approved by the authorities of the Purchaser, including but not limited to the approval from the board of directors and shareholders of the parent company of the Purchaser.

If the above conditions are not satisfied on or before the 30 April 2022 (or such other date as the Purchaser agree in writing), the Agreement shall be terminated and thereafter neither party shall have any obligations or liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save for condition (i) above, none of the other conditions were fulfilled.

Profits Distribution

The profits distributed by the Property Management Companies before the date of the Agreement shall be enjoyed by the existing shareholders, and the undistributed profits of the Property Management Companies as of the date of the Agreement and the newly generated profits after the date of the Agreement shall be enjoyed by the shareholders of the Property Management Companies after the Completion. If the Property Management Companies incur losses during the transition period (being from the date of the Letter of Intent to the Completion Date), the Vendor and other existing shareholders of the Property Management Companies (if any) shall bear the loss in proportion to their shareholding before the Acquisition.

Net Profit Guarantee

Pursuant to the Agreement, the Vendor undertakes and guarantees to the Purchaser that the net profit (after excluding the non-recurring gains and losses) attributed to the owners of the Property Management Companies (the "**Net Profit**") for each of the four years ending 31 December 2022 (the "**2022 Guaranteed Net Profit**"), 2023 (the "**2023 Guaranteed Net Profit**"), 2024 (the "**2024 Guaranteed Net Profit**") and 2025 (the "**2025 Guaranteed Net Profit**") will not be lower than RMB6.20 million. In the event that any of the 2022 Guaranteed Net Profit, 2023 Guaranteed Net Profit, 2024 Guaranteed Net Profit and 2025 Guaranteed Net Profit is less than RMB6.20 million, the Vendor shall pay a compensation amount (the "**Compensation Amount**") to the Purchaser in cash, which shall be calculated in the following manner:

$$= \frac{\text{(the guaranteed Net Profit at the relevant year – the acutal Net Profit at the relevant year)}}{\text{(the guaranteed Net Profit at the relevant year)}}$$

$$\times \frac{\text{(the guaranteed Net Profit at the relevant year)}}{\text{(the sum of the guaranteed Net Profit for the four years endeding 31 December 2025)}}$$

$$\times \text{ the Consideration}$$

Pursuant to the Agreement, in any event (including in the event that the actual Net Profit for any of the four years ending 31 December 2025 is a negative figure), the aggregated Compensation Amount for the four years ending 31 December 2025 should be capped at RMB15.50 million. If the actual Net Profit is more than RMB6.20 million for any of the four years ending 31 December 2025, there shall not be any upward adjustment on the Consideration of RMB15.50 million.

After the Completion Date, the Property Management Companies Group shall appoint an auditor as agreed by the Purchaser, to issue audit report (the "**Audit Report**") confirming the actual Net Profit for each of the four years ending 31 December 2025. In the event that any of the 2022 Guaranteed Net Profit, 2023 Guaranteed Net Profit, 2024 Guaranteed Net Profit and 2025 Guaranteed Net Profit falls short, the Vendor shall pay the Compensation Amount within 30 Business Days from the issue of the Audit Report for each of four years ending 31 December 2025.

Board of directors of the Properties Management Companies Group

Following the Completion Date, the board of directors of the Properties Management Companies Group will be consisted of five (5) directors. The Purchaser will appoint three (3) directors, the Vendor and other shareholders of the Properties Management Companies Group (if any) will appoint two (2) directors. The chairman of the board of directors of the Properties Management Companies Group will be elected from the directors assigned by the Purchaser.

Retention of key management of the Properties Management Companies

The Vendor undertakes that from the Completion Date, the existing key management of the Properties Management Companies Group will serve the Properties Management Companies Group for at least 48 months.

COMPLETION

The parties to the Agreement agreed that within 20 Business Days from the First Consideration Payment (or such other date as agreed by the Purchaser in writing), the Vendor and the Properties Management Companies Group shall complete the relevant registration of industrial and commercial changes for the Acquisition (including not limited to the registration of change of shareholder, change of management, filing of board of directors and filing of articles of association).

Completion shall take place on the Completion Date, being the date of completion of registration of industrial and commercial changes for the Acquisition.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is engaged in (1) sale of properties, (2) sale of parking lots, (3) the provision of property management services, (4) the provision of construction services; and (5) the provision of sales agency services under the property development, property leasing and property management services segment and mining and sale of gold under the gold mining segment. The Purchaser is an investment holding company.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the PRC with limited liability which owns 80% equity interest of Shenzhen Hailian and the entire equity interest of Huiyang Peninsula One. The Vendor is an investment holding company and is wholly-owned by its ultimate beneficial owner, Mr. Ma Chan Hung.

The Vendor was introduced by Ms. Zhang Chunyan, a senior management of the Group’s property management services segment, to the Directors on October 2021.

INFORMATION OF THE PROPERTY MANAGEMENT COMPANIES

Shenzhen Hailian is a company incorporated in the PRC with limited liability. As at the Latest Practicable Date, Shenzhen Hailian is owned as to 80% equity interests by the Vendor and 20% equity interests by Mr. Zhang Song Sheng. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Zhang Song Sheng is an Independent Third Party. Its principal activity is provision of property management services in the PRC.

Huiyang Peninsula One is a company incorporated in the PRC with limited liability. As at the Latest Practicable Date, Huiyang Peninsula One is wholly owned by the Vendor. Its principal activity is provision of property management services in the PRC.

Financial information of the Property Management Companies

Set out below is a summary of the combined financial information of the Property Management Companies prepared under the HKFRS, for the four years ended 31 December 2021 and for the nine months ended 30 September 2021:

	For the year ended 31 December 2018	**For the year ended 31 December 2019**	**For the year ended 31 December 2020**	**For the nine months ended 30 September 2021**	**For the year ended 31 December 2021**
	Approximately RMB' million (audited)	*Approximately RMB' million (audited)*	*Approximately RMB' million (audited)*	*Approximately RMB' million (audited)*	*Approximately RMB' million (unaudited)*
Revenue	38.86	41.46	62.01	49.43	58.19
Net profit/(loss) before tax	(1.32)	0.45	6.45	4.40	8.03
Net profit/(loss) after tax	(1.50)	0.46	5.15	3.10	7.46

The combined total assets, total liabilities and net assets of the Property Management Companies as at 30 September 2021 according to the audited combined financial statements were approximately RMB107.86 million, RMB98.75 million and RMB9.11 million respectively. The unaudited combined total assets, total liabilities and net assets of the Property Management Companies as at 31 December 2021 were approximately RMB139.90 million, RMB120.68 million and RMB19.22 million respectively.

Upon Completion, the Property Management Companies will become non-wholly owned subsidiaries of the Company and the combined financial results of the Property Management Companies will be consolidated into the Group's financial statement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Property management services is one of the major business of the Group and the Group manages one property project in Xuzhou City, Jiangsu Province, the PRC as at the Latest Practicable Date. For the year ended 30 June 2021, the Group's property management services contributed approximately 31% of the Group's total revenue. The Board believes that the Property Management Companies have a material level of operation and the Acquisition will help to expand and develop the existing business of the Group.

As at the Latest Practicable Date, the Property Management Companies Group provides property management services to a total of 11 property projects, a summary of which are as follows:

Property project under management	Location	Size of the property under management
海景廣場 (Harbour View Plaza*) 錦隆花園 (Jin Long Garden*) 觀海台花園 (Guan Hai Tai Garden*) 倉前錦福苑 (Cang Qian Jin Fu Court*) 蓬萊花園 (Peng Lai Garden*) 中建工業大廈 (China Construction Industry Building*)	Shenzhen, the PRC	Approximately 450,000 square meters in aggregate
半島壹號 (Ban Dao Yi Hao*)	Huizhou, the PRC	Approximately 1,300,000 square meters and will increase to Approximately 1,480,000 square meters upon further construction
東方新城 (Orient New City*) 湖濱花園 (Hu Bin Garden*)	Huizhou, the PRC	Approximately 500,000 square meters in aggregate
江濱華府高檔住宅區 (Jiang Bin Hua Fu High End Residential Area*) 江茂華府高檔住宅區 (Jiang Mao Hua Fu High End Residential Area*)	Huizhou, the PRC	Approximately 800,000 square meters in aggregate

The historical performance of the Properties Management Companies Group was positive and it had recorded a net profit after taxation of approximately RMB0.46 million for the year ended 31 December 2019, approximately RMB5.15 million for the year ended 31 December 2020 and approximately RMB3.10 million for the nine months ended 30 September 2021. Furthermore, as stated in the sub-section headed "Profit Guarantee" above, the Vendor had undertook and guaranteed to the Purchaser that the 2022 Guaranteed Net Profit, 2023 Guaranteed Net Profit, 2024 Guaranteed Net Profit and 2025 Guaranteed Net Profit will not be less than RMB6.20 million. In view of the past performance and the guaranteed profits as mentioned above, it is expected that the Property Management Companies will provide the Group with additional source of profit.

In light of the above, the Directors consider it is a good opportunity for the Group to proceed with the Acquisition and allow the Group to (i) expand its existing property management services and property management portfolio; (ii) increase the source of revenue; and (iii) improve the profitability.

The Directors are of the view that the Acquisition is in the best interests of the Company and the Shareholders as a whole and the terms of the Agreement, and the transaction contemplated under the Agreement, are fair and reasonable and on normal commercial terms.

As at the Latest Practicable Date, the Company did not have any intention to acquire additional interest in the Property Management Companies.

On 10 November 2021, the Purchaser entered into a non-legally binding letter of intention (the "**Property Development LOI**") with potential vendors, pursuant to which the Purchaser intended to buy and the potential vendors intended to sell 51% equity interest of a property development company in relation to a commercial complex property development project (the "**Commercial Complex Project**") located at Wenchang City, Hainan Province of the PRC. Save for the Property Development LOI, as at the Latest Practicable Date, the Company did not have any intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) in relation to (i) the disposal, termination or downsize of the existing business of the Group; (ii) injecting any assets or business into the Group; and (iii) the change in shareholding structure of the Company and the composition of the Board as a result of the Acquisition.

Principal Businesses of the Group

In addition to the property management services business, set out below are the business plan and the development strategy of the (i) property development, property leasing and property management services segment; and (ii) gold mining business:

(i) Property development, property leasing and property management services segment

(1) Sale of properties

As at the Latest Practicable Date, the Group owned a self-developed property project in Anlu, the PRC and there were 8 units remaining for sales, 5 units of investment properties and 1 kindergarten from such property project.

In order to expand the Group's property development business, the Group completed an acquisition of 3 blocks of 3-storey commercial buildings, which comprises of Block 10, Block 11 and Block 12 in the Xuzhou Yueqiao Flower Garden Project* (徐州月橋花院項目) (the "**Xuzhou Yueqiao Project**") located at Xuzhou city, Jiangsu Province, the PRC in January 2021 (for more details, please refer to the circular of the Company dated 8 January 2021). In addition, the Group is in the process of considering and negotiating the Commercial Complex Project as contemplated under the Property Development LOI.

(2) Sale of parking lots

As at the Latest Practicable Date, the Group owned 525 parking lots for sales while the Property Management Companies Group owned 864 parking lots for sales. Upon Completion, the parking lots for sales of the Enlarged Group will be expanded.

The Group adopts the strategy of selling the parking lots stage by stage aiming to stabilize the selling price and will conduct marketing activities from time to time.

(3) Provision of construction services and provision of sales agency services

"Provision of construction services" and "Provision of sales agency services" sub-segments are generally ad-hoc tasks and value-added services to the property development and management businesses. As at the Latest Practicable Date, the Group provided such services for the Xuzhou Yueqiao Project. Further, the Group is planning to explore other opportunities for the provision construction services and sales agency services.

(ii) Gold mining segment

As at the Latest Practicable Date, the Group owned a gold mine, which located in Blagoveshchensk, Russia. The Group is currently negotiating with a contractor in Russia, under which such contractor will be responsible for all exploitation and production work, without limited to allocating mine workers and setting up necessary equipment and facilities, arranging transportation. In return, such contractor is entitled to certain profit sharing from the sales of the gold. By this way of cooperation, the Group is able to avoid additional capital investment.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Company will indirectly hold 51% equity interest in each of the Property Management Companies. The Property Management Companies will become non-wholly owned subsidiaries of the Company and the combined financial results of the Property Management Companies will be consolidated into the Group's financial statement.

Earnings

The audited net loss after tax of the Group for the financial year ended 30 June 2021, as disclosed in 2021 annual report of the Company, was approximately RMB7.16 million.

As set out in unaudited pro-forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had been taken place at 1 July 2020, the net loss after tax of the Group would be approximately RMB3.60 million.

The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the respective future performance of the Properties Management Companies Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had been taken place as at 31 December 2021, the Group's total assets would increase from approximately RMB181.64 million to approximately RMB280.18 million and total liabilities would increase from approximately RMB47.90 million to approximately RMB146.12 million, representing an increase of total consolidated net assets position from approximately RMB133.74 million to approximately RMB134.06 million.

Further details of the financial effect of the Acquisition together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and as such, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisition.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM, from 12 April 2022 to 19 April 2022, both days inclusive, during which period no transfers of shares will be effected. In order to be eligible to attend and vote at the EGM, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 11 April 2022.

RECOMMENDATION

The Directors are of the opinion that the terms of the Acquisition pursuant to the Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition.

ADDITIONAL INFORMATION

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

Yours faithfully
By order of the Board
Kingwell Group Limited
Mu Dongsheng
Chairman

1. FINANCIAL SUMMARY OF THE GROUP

The financial information of the Group for the years ended 30 June 2019, 2020 and 2021 have been published in the annual reports and the unaudited financial information of the Group for the six months ended 31 December 2021 have been published in the interim report per below:

- Annual Report 2019 (pages 48 to 134):

  https://www.hkexnews.hk/listedco/listconews/sehk/2019/1030/ltn20191030043.pdf

- Annual Report 2020 (pages 48 to 132):

  https://www.hkexnews.hk/listedco/listconews/sehk/2020/1028/2020102800378.pdf

- Annual Report 2021 (pages 44 to 120):

  https://www.hkexnews.hk/listedco/listconews/sehk/2021/1027/2021102700444.pdf

- Interim Report 2021-22 (pages 5 to 23)

  https://www.hkexnews.hk/listedco/listconews/sehk/2022/0317/2022031700742.pdf

All of which have been published on the website of the Company (http://www.kingwell.todayir.com) and the Stock Exchange (http://www.hkexnews.hk).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 January 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the financial indebtedness of the Enlarged Group comprised the following:

	RMB
Current	
Lease liabilities	121,505

As at 31 January 2022, guarantees given to the banks by the Enlarged Group in connection with facilities granted to the buyers of certain properties developed by the Enlarged Group was RMB400,000.

Save as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 31 January 2022.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseen circumstances and after taking into account the financial resources available to the Enlarged Group, the available credit facilities and the effect of the Acquisition, the Enlarged Group will have sufficient working capital for its present requirement that is for at least the next 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As disclosed in the Company's interim report dated 17 March 2022 (the "**Interim Report**"), for the six months ended 31 December 2021, revenue of the Group amounted to approximately RMB9,224,000, representing a decrease of approximately 59.2% as compared to the corresponding period in last year. Such decrease was mainly due to the decrease of contribution from sales of properties.

Save for the above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2021, being the date to which the latest published audited financial statements of the Group were made up.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for the each of the three years ended 30 June 2019, 2020 and 2021 extracted from the Company's annual reports for each of the three years ended 30 June 2019, 2020 and 2021 and for the six months ended 31 December 2021 extracted from the Interim Report. Unless otherwise defined in this circular or the context otherwise requires, capitalised terms used in this section shall have the same meanings as those ascribed in the abovementioned annual reports and the Interim Report of the Company, as the case may be.

FOR THE YEAR ENDED 30 JUNE 2019

Revenue

Revenue of the Group amounted to approximately RMB43,179,000 for the year ended 30 June 2019, representing an increase of approximately 103.52% as compared with that of approximately RMB21,216,000 for the year ended 30 June 2018. The increase in revenue was mainly due to the sales of carpark spaces, property management services income and construction services income.

Gross Profit

For the year ended 30 June 2019, the Group recorded a gross profit of approximately RMB14,595,000, representing an increase of approximately 7.64 times when compared to that of approximately RMB1,689,000 for the year ended 30 June 2018. The loss before tax of approximately RMB3,891,000, representing a decrease of approximately 79.72% when compared to that of approximately RMB19,182,000 for the year ended 30 June 2018. The increase in gross profit was mainly due to the increase of gross profit from the sales of carpark spaces, property management services income and construction services income. The decrease in loss before tax was mainly due to the contribution from the sales of carpark spaces, property management services income and construction services income.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year ended 30 June 2019 was approximately RMB8,493,000, representing a decrease of approximately 57.13% when compared to that of approximately RMB19,811,000 for the year ended 30 June 2018. The decrease in loss attributable to owners of the Company was mainly attributed to the contribution of sales of carpark spaces, property management services and construction services.

Liquidity and Financial Resources

For the year ended 30 June 2019, the Group's working capital requirement was principally financed by its internal resources.

As at 30 June 2019, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB61,540,000, RMB96,996,000 and RMB190,952,000, respectively.

As at 30 June 2019, the Group had no interest-bearing borrowings (2018: Nil).

Total equity attributable to owners of the Company as at 30 June 2019 decreased by approximately RMB6,653,000 to approximately RMB142,601,000. The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2019 was in net cash position.

Significant Investments

The Group held no significant investment during the year ended 30 June 2019.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed herein, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 30 June 2019.

Major Transaction in relation to the Disposal of 35% Equity Interests in the Port First Limited

On 21 June 2019, the Group and Mr. Wu Fong Shing ("**Mr. Wu**") entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which the Group conditionally agreed to sell and Mr. Wu conditionally agreed to acquire the 17,500 shares (the "**Disposal**"), representing 35% equity interests in Port First Limited (the "**Target Company**"), at the consideration payable by Mr. Wu of RMB53.0 million (the "**Consideration**").

The completion of the Disposal (the "**Completion**") is subject to fulfilment of the conditions precedent under the Sale and Purchase Agreement (the "**Conditions**"). Upon Completion, the Group will cease to have any interest in the Target Company, and the financial results of the Target Company will no longer be shared into the consolidated financial statements of the Group under the equity method.

On 7 August 2019, the Group and Mr. Wu entered into a supplemental agreement to the Sale and Purchase Agreement (the "**Supplemental Agreement**").

Pursuant to the Supplemental Agreement, in addition to the Conditions, Completion shall also be conditional upon the Group having received no less than 60% of the Consideration (i.e. RMB31.8 million).

On 9 September 2019, the Group and Mr. Wu entered into the second supplemental agreement to the Sale and Purchase Agreement (as amended by the Supplemental Agreement).

Pursuant to the Second Supplemental Agreement, in addition to the Conditions, the Completion shall only take place after the Consideration of RMB53.0 million had been received by the Group in full.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Details of the Disposal is set out in the announcements of the Company dated 21 June 2019, 7 August 2019 and 9 September 2019 and in the circular of the Company dated 18 September 2019.

Disclosable Transaction in relation to Acquisition of Carpark Spaces in Xuzhou

On 1 March 2019, Jiangsu Tianan Hongji Property Management Co., Ltd.*(江蘇天安鴻基物業管理有限公司)("**Jiangsu Tianan**"), an indirect wholly-owned subsidiary of the Group, entered into the sale and purchase agreement with Xuzhou Zhongwei Real Estate Co., Ltd.*(徐州市中維地產有限公司)("**Xuzhou Zhongwei**"), pursuant to which Jiangsu Tianan conditionally agreed to acquire and Xuzhou Zhongwei conditionally agreed to sell 700 underground carpark spaces in Xincheng district, Xuzhou City, Jiangsu Province, the PRC. The aggregate consideration payable by Jiangsu Tianan is RMB28,000,000 in cash.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the acquisition is above 5% but less than 25%, the acquisition constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Details of the acquisition was set out in the announcement of the Company dated 1 March 2019.

Employee Information

As at 30 June 2019, the Group employed a total of 77 employees. It is a policy of the Group to review its employees' pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. For the year ended 30 June 2019, the employment cost (including Directors' emoluments) amounted to approximately RMB9,303,000. In order to align the interests of staff, Directors and consultants with the Group, share options may be granted to staff, Directors and consultants under the Group's 2010 share option scheme (the "**2010 Share Option Scheme**"). There were 183,304,000 share options outstanding under the 2010 Share Option Scheme as at 30 June 2019.

Charges on Group Assets

As at 30 June 2019, no Group's assets were pledged to secure general banking facilities to the Group.

Future Plans for Material Investments and Expected Sources of Funding

In the future, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities.

The Group had no future plans for material investments and expected sources of funding as at 30 June 2019.

Exposure to Fluctuations in Exchange Rates

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies, principally in Hong Kong dollars and Russian ruble. The Group does not expect any appreciation or depreciation of the Renminbi against foreign currency which might materially affect the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

Capital Commitments

As at 30 June 2019, the Group had no capital commitments.

Contingent Liabilities

As at 30 June 2019, the banking facilities of RMB3,000,000 were granted to buyers of certain properties developed by the Group.

FOR THE YEAR ENDED 30 JUNE 2020

Financial Results

During the year under review, the performance of the Group was illustrated as follows.

Revenue

For the year ended 30 June 2020, revenue of the Group amounted to approximately RMB44,634,000, representing an increase of approximately 3.4% as compared with that of approximately RMB43,179,000 for the year ended 30 June 2019. The increase in revenue was mainly due to the contribution of sales agency service.

Gross Profit

For the year ended 30 June 2020, the Group recorded a gross profit of approximately RMB13,159,000, representing a decrease of approximately 9.84% when compared to that of approximately RMB14,595,000 for the year ended 30 June 2019. The loss before tax of approximately RMB21,042,000, representing an increase of approximately 4.41 times when compared to that of approximately RMB3,891,000 for the year ended 30 June 2019. The decrease in gross profit was mainly due to decrease in gross profit from the property management services business. The increase in loss before tax was mainly due to the provision for impairment of intangible assets.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the Year was approximately RMB13,235,000, representing an increase of approximately 55.85% when compare to that of approximately RMB8,493,000 for the year ended 30 June 2019. The increase in loss attributable to owners of the Company was mainly attributed to the provision for impairment of intangible assets.

Liquidity and Financial Resources

For the year ended 30 June 2020, the Group's working capital requirement was principally financed by its internal resources.

As at 30 June 2020, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB84,596,000, RMB95,405,000 and RMB155,122,000, respectively.

As at 30 June 2020, the Group had no interest-bearing borrowings.

Total equity attributable to owners of the Company as at 30 June 2020 decreased by approximately RMB15,944,000 to approximately RMB126,657,000. The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2020 was in a net cash position.

Significant Investments

The Group held no significant investment during the year ended 30 June 2020.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed herein, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 30 June 2020.

Major Transaction in relation to the Disposal of 35% Equity Interests in the Port First Limited

On 21 June 2019, the Group and Mr. Wu Fong Shing (''**Mr. Wu**'') entered into the sale and purchase agreement (the ''**Sale and Purchase Agreement**''), pursuant to which the Group conditionally agreed to sell and Mr. Wu conditionally agreed to acquire the 17,500 shares (the ''**Disposal**''), representing 35% equity interests in Port First Limited (the ''**Target Company**''), at the consideration payable by Mr. Wu of RMB53.0 million (the ''**Consideration**'').

The Target Company were acquired by the Company on 30 January 2015 at consideration of RMB150 million, however, performance of the Target Company had not been satisfactory. As a result, the Group had continued share of losses and no dividend income from the Target Company. The Group had also recorded an impairment loss of approximately RMB73.1 million for the year ended 30 June 2017.

The Disposal was completed on 9 May 2020. As a result of the Disposal, the Group recorded a gain of approximately RMB4.8 million which represents the difference between the Consideration of RMB53.0 million and the proportion of equity interest in the Target Company of approximately RMB48.2 million.

Major transaction in relation to the acquisition of the commercial buildings

On 14 August 2020, the Group had entered into the sale and purchase agreement with Xuzhou Zhongwei, pursuant to which the Group conditionally agreed to purchase, and Xuzhou Zhongwei conditionally agreed to sell, the 3 blocks of 3-storey commercial buildings, which comprises of Block 10, Block 11 and Block 12 in the Xuzhou Yueqiao Flower Garden Project*（徐州月橋花院項目） developed by Xuzhou Zhongwei. The Acquisition was subject to fulfilment of the conditions precedent under the Sale and Purchase Agreement and due to be completed by 31 August 2021.

Details of the Acquisition were set out in the announcements of the Company dated 14 and 27 August 2020.

Employee Information

As at 30 June 2020, the Group employed a total of 87 employees. It is a policy of the Group to review its employees' pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the Year, the employment cost (including Directors' emoluments) amounted to approximately RMB9,830,000. In order to align the interests of staff, Directors and consultants with the Group, share options may be granted to staff, Directors and consultants under the Company's 2019 share option scheme (the "**2019 Share Option Scheme**"). As at the date of this report, no option has been granted under the 2019 Share Option Scheme.

Charges on Group Assets

As at 30 June 2020, no Group's assets were pledged to secure general banking facilities to the Group.

Future Plans for Material Investments and Expected Sources of Funding

In the future, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities.

The Group had no future plans for material investments and expected sources of funding as at 30 June 2020.

Exposure to Fluctuations in Exchange Rates

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies, principally in Hong Kong dollars and Russian ruble. The Group does not expect any appreciation or depreciation of the Renminbi against foreign currency which might materially affect the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

Capital Commitments

As at 30 June 2020, the Group had no capital commitments.

Contingent Liabilities

As at 30 June 2020, the banking facilities of RMB2,480,000 were granted to buyers of certain properties developed by the Group.

FOR THE YEAR ENDED 30 JUNE 2021

Financial Results

During the year under review, the performance of the Group was illustrated as follows.

Revenue

For the year ended 30 June 2021, revenue of the Group amounted to approximately RMB34,246,000, representing a decrease of approximately 23.27% as compared to that of approximately RMB44,634,000 for the year ended 30 June 2020. The decrease in revenue was mainly due to decrease of contribution from sales of properties and sales agency service.

Gross Profit

For the year ended 30 June 2021, the Group recorded a gross profit of approximately RMB8,599,000, representing a decrease of approximately 34.65% when compared to that of approximately RMB13,159,000 for the year ended 30 June 2020. The loss before tax of approximately RMB5,538,000, representing a decrease of approximately 73.68% when compared to that of approximately RMB21,042,000 for the year ended 30 June 2020. The decrease in gross profit was mainly due to decrease in gross profit from the sale of properties and sales agency service. The decrease in loss before tax was mainly due to no provision for impairment of intangible assets occurred in the current year.

Loss attributable to owners of the Company

The loss attributable to owners of the Company for the year ended 30 June 2021 was approximately RMB6,381,000, representing a decrease of approximately 51.79% when compare to that of approximately RMB13,235,000 for the year ended 30 June 2020. The decrease in loss attributable to owners of the Company was mainly attributed to no provision for intangible assets occurred in that year.

Liquidity and Financial Resources

For the year ended 30 June 2021, the Group's working capital requirement was principally financed by its internal resources.

As at 30 June 2021, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB51,622,000, RMB88,202,000 and RMB139,278,000, respectively.

As at 30 June 2021, the Group had no interest-bearing borrowings.

Total equity attributable to owners of the Company as at 30 June 2021 decreased by approximately RMB9,599,000 to approximately RMB117,058,000. The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 30 June 2021 was in a net cash position.

Significant Investments

The Group held no significant investment during the year ended 30 June 2021.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed herein, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 30 June 2021.

Major transaction in relation to the acquisition of the commercial buildings

On 14 August 2020, the Group had entered into the sale and purchase agreement with Xuzhou Zhongwei, pursuant to which the Group conditionally agreed to purchase, and Xuzhou Zhongwei conditionally agreed to sell, the 3 blocks of 3-storey commercial buildings, which comprises of Block 10, Block 11 and Block 12 in the Xuzhou Yueqiao Flower Garden Project*（徐州月橋花院項目）developed by Xuzhou Zhongwei. The Acquisition was subject to fulfilment of the conditions precedent under the Sale and Purchase Agreement and due to be completed by 31 August 2021.

Details of the Acquisition were set out in the announcements of the Company dated 14 August 2020, 27 August 2020, 20 October 2020, 13 November 2020, 27 November 2020, 11 December 2020, 18 December 2020, 31 December 2020, 4 January 2021, 7 January 2021 and 25 January 2021 and in the circular of the Company dated 8 January 2021.

Employee Information

As at 30 June 2021, the Group employed a total of 72 employees. It is a policy of the Group to review its employees' pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the Year, the employment cost (including Directors' emoluments) amounted to approximately RMB11,291,000. In order to align the interests of staff, Directors and consultants with the Group, share options may be granted to staff, Directors and consultants under the Company's 2019 share option scheme (the "**2019 Share Option Scheme**") approved in 2019. As at the date of this report, no option has been granted under the 2019 Share Option Scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of those employees in Hong Kong who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. During the year, the Group had no forfeited contributions under the MPF Scheme utilised to reduce the existing levels of contributions.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

Charges on Group Assets

As at 30 June 2021, no Group's assets were pledged to secure general banking facilities to the Group.

Future Plans for Material Investments and Expected Sources of Funding

In the future, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities.

The Group had no future plans for material investments and expected sources of funding as at 30 June 2021.

Exposure to Fluctuations in Exchange Rates

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies, principally in Hong Kong dollars and Russian ruble. The Group does not expect any appreciation or depreciation of the Renminbi against foreign currency which might materially affect the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

Capital Commitments

As at 30 June 2021, the Group had no capital commitments.

Contingent Liabilities

As at 30 June 2021, the banking facilities of RMB460,000 were granted to buyers of certain properties developed by the Group.

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Financial Results

During the six months period under review, the performance of the Group was illustrated as follows.

Revenue

For the six months ended 31 December 2021, the revenue of the Group amounted to approximately RMB9,224,000, representing a decrease of approximately 59.2% as compared to that of approximately RMB22,631,000 for the six months ended 31 December 2020. The decrease in revenue was mainly due to the decrease of contribution from the sales of properties.

Gross Profit

For the six months ended 31 December 2021, the Group recorded a gross profit of approximately RMB3,641,000, representing a decrease of approximately 33.64% when compared to that of approximately RMB5,487,000 for the six months ended 31 December 2020. The loss before tax of approximately RMB2,014,000 representing an increase of approximately 56.37% when compared to that of approximately RMB1,288,000 for the six months ended 31 December 2020. The decrease in gross profit and the increase in loss before tax were mainly due to the decrease in gross profit contribution from the sales of properties and the sales of gold.

Loss attributable to owners of the Company

The loss attributable to ordinary equity holders of the Company for the six months ended 31 December 2021 was approximately RMB2,504,000, representing a decrease of approximately 26.09% when compare to that of approximately RMB3,388,000 for the six months ended 31 December 2020. The decrease in loss attributable to ordinary equity holders of the Company was due to the decrease in the income tax expense of management services during the period.

Liquidity and Financial Resources

For the six months ended 31 December 2021, the Group's working capital requirement was principally financed by its internal resources.

As at 31 December 2021, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of approximately RMB49,888,000, RMB85,915,000 and RMB135,245,000 respectively.

As at 31 December 2021, the Group had no interest-bearing borrowings.

Total equity attributable to owners of the Company as at 31 December 2021 decreased by RMB3,220,000 to RMB113,838,000. The gearing ratio (calculated as the ratio of net debt: capital and net debt) of the Group as at 31 December 2021 was in net cash position.

Significant Investments

The Group had no significant investment held during the six months ended 31 December 2021.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures during the period.

Employee Information

As at 31 December 2021, the Group employed a total of 85 employees. It is a policy of the Group to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the Period, the employment cost (including Directors' emoluments) amounted to approximately RMB2,070,000. In order to align the interests of staff, Directors and consultants with the Group, share options would be granted to staff, Directors and consultants under the Company's 2019 share options scheme (the "**2019 Share Options Scheme**"). As at the date of this report, no option has been granted under the 2019 Share Option Scheme.

Charges on Group Assets

As at 31 December 2021, no Group assets were pledged to secure general banking facilities to the Group.

Future Plans for Material Investments and Expected Sources of Funding

In the future, the Group will continue to implement its diversified development strategy and proactively search for potential investment opportunities.

Save as the Acquisition and the Property Development LOI disclosed in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION"in the letter from the Board, the Group had no future plans for material investments and expected sources of funding as at 31 December 2021.

Exposure to Fluctuations in Exchange Rates

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies, principally in Hong Kong dollars and Russian ruble. The Group does not expect any appreciation or depreciation of the Renminbi against foreign currencies which might materially affect the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

Capital Commitments

As at 31 December 2021, the Group had no capital commitments.

Contingent Liabilities

As at 31 December 2021, the banking facilities of RMB460,000 were granted to the buyers of certain properties developed by the Group.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As at the Latest Practicable Date, the Group is engaged in (1) sale of properties, (2) sale of parking lots, (3) the provision of property management services, (4) the provision of construction services; and (5) the provision of sales agency services under the property development, property leasing and property management services segment.

Property management services is one of the major business of the Group and the Group manages one property project in Xuzhou City, Jiangsu Province, the PRC as at the Latest Practicable Date. For the year ended 30 June 2021, the Group's property management services contributed approximately 31% of the Group's total revenue.

Upon Completion, the property management portfolio and geographic layout of property management business of the Group will be expanded from Xuzhou to Huizhou and Shenzhen, which are both located in the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Great Bay Area**"). According to the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*（粵港澳大灣區發展規劃綱要）issued by The State Council of the People's Republic of China in February 2019, both Huizhou and Shenzhen are the cities that becoming the focus of the future development of the Great Bay Area. And therefore, the Company believes that Huizhou and Shenzhen have growth potential. In addition, the Acquisition is expected to improve the property management scale, the source of revenue and the profitability of the Group.

Set out below is the management discussion and analysis of the Property Management Companies Group for the three years ended 31 December 2020 and the nine months ended 30 September 2021 (the "**Track Record Period**") based on the financial information of the Property Management Companies as set out in Appendix III to this circular.

BUSINESS REVIEW

The Properties Management Companies Group is property management service providers in the PRC which have diversified business portfolio coverage, including residential, industrial and commercial buildings. It aims to provide quality property management service to mid-to high-end property projects and to enhance market value of the properties managed by it.

FINANCIAL REVIEW

Revenue

During the Track Record Period, the Properties Management Companies Group derived its revenue mainly from property management services, parking management services and other property related value-added services including site management fees, rent, income from collection of utility fees. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, Properties Management Companies Group's revenue amounted to approximately RMB38.86 million, RMB41.46 million, RMB62.01 million, RMB45.60 million and RMB49.43 million, respectively. The overall increase in the Properties Management Companies Group's revenue during the Track Record Period was primarily due to (i) the increase in occupied units under management; and (ii) the expansion of its value-added services as a result of increase in number of property projects.

Cost of sales

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, the Properties Management Companies Group's cost of sales amounted to approximately RMB35.49 million, RMB37.92 million, RMB44.07 million, RMB31.24 million and RMB36.68 million, respectively. The overall increase in the Properties Management Companies Group's cost of sales during the Track Record Period was mainly due to the scale-up of the Properties Management Companies Group's business and the increase in the Properties Management Companies Group's revenue during the Track Record Period.

Gross profit

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, the Properties Management Companies Group's gross profit amounted to approximately RMB3.37 million, RMB3.54 million, RMB17.93 million, RMB14.36 million and RMB12.75 million, respectively; and the overall gross profit margin amounted to approximately 8.7%, 8.5%, 28.9%, 31.5% and 25.8%, respectively

Other income and gains

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, the Properties Management Companies Group's other income and gains amounted to approximately RMB0.04 million, RMB0.20 million, RMB0.38 million, RMB0.31 million and RMB0.31 million, respectively. Other income of the Properties Management Companies Group primarily consisted of tax incentives on value-added tax, forfeiture income, income from investment and others.

Administrative expenses

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, the Properties Management Companies Group incurred administrative expenses of approximately RMB2.43 million, RMB3.40 million, RMB3.94 million, RMB2.42 million and RMB4.34 million. The overall increase in the Properties Management Companies Group's administrative expenses was mainly due to the increase in the scale of operation.

Income tax expenses

Income tax expense of the Properties Management Companies Group comprised PRC corporate income tax, net of deferred tax. For the years ended 31 December 2018 and 2020 and the nine months ended 30 September 2020 and 2021, the Properties Management Companies Group's income tax expense amounted to approximately RMB0.18 million, RMB1.30 million, RMB1.20 million and RMB1.31 million, respectively. For the year ended 31 December 2019, the Properties Management Companies Group's income tax income amounted to approximately RMB0.01 million.

Profit/(Loss) and total comprehensive income for the year/period attributable to the owners of the Properties Management Companies Group

The Properties Management Companies Group recorded a loss and total comprehensive income attributable to the owners of the parent amounted to approximately RMB1.61 million and RMB0.51 million for the year ended 31 December 2018 and 2019, respectively. For the year ended 31 December 2020 and the nine months ended 30 September 2020 and 2021, the Properties Management Companies Group recorded profit and total comprehensive income attributable to the owners of the parent amounted to approximately RMB4.10 million, RMB4.06 million and RMB2.61 million, respectively. The improvement in profitability was mainly due to the increase in revenue as a result of the increase in occupied units under management.

Goodwill

Goodwill of the Properties Management Companies Group was arose from the acquisition of Huizhou Huiyang Bandao Xin City Property Management Co., Ltd. ("**Bandao Xin City**") during the year ended 31 December 2019. As at 31 December 2019 and 2020 and 30 September 2021, goodwill of the Properties Management Companies Group amounted to approximately RMB10.16 million, RMB10.16 million and RMB10.16 million, respectively.

Inventories

Inventories of the Properties Management Companies Group was arose from the parking lots acquired during the year ended 31 December 2020. As at 31 December 2020 and 30 September 2021, inventories of the Properties Management Companies Group amounted to approximately RMB43.20 million and RMB43.20 million, respectively.

Trade receivables

Trade receivables of the Properties Management Companies Group mainly represent receivables from property management services, which are charged on a quarterly or monthly basis. As at 31 December 2018, 2019 and 2020 and 30 September 2021, trade receivables of the Properties Management Companies Group amounted to approximately RMB0.65million, RMB1.25 million, RMB1.78 million and RMB1.74 million, respectively.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables of the Properties Management Companies Group mainly represent the amounts due from related parties, prepayments and other receivables minus the impairment allowance. As at 31 December 2018, 2019 and 2020 and 30 September 2021, prepayments, deposits and other receivables of the Properties Management Companies Group amounted to approximately RMB27.39 million, RMB42.43 million, RMB13.46 million and RMB41.87 million, respectively. The overall increase in the Properties Management Companies Group's prepayments deposits and other receivables throughout the Track Record Period was primarily due to the transactions with the developers of the property projects under management during the operation.

Cash and cash equivalents

As at 31 December 2018, 2019, 2020 and 30 September 2021, the cash and bank balances of the Properties Management Companies Group amounted to RMB5.92 million, RMB7.45 million RMB28.38 million and RMB6.70 million and all the cash and bank balances of the Company were denominated in RMB.

Gearing ratio and the basis of calculation

The gearing ratio is calculated by the net debt divided by capital and net debt. As at 31 December 2018, 2019 and 2020 and 30 September 2021, the Properties Management Companies Group's gearing ratios were 107%, 105%, 97% and 95% respectively.

Exposure to fluctuations in exchange rates

As at 31 December 2018, 2019, 2020 and 30 September 2021, the Properties Management Companies Group had minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies of the Properties Management Companies Group's entities. The Properties Management Companies Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

Contingent Liabilities

As at 31 December 2018, 2019, 2020 and 30 September 2021, the Properties Management Companies Group had no significant contingent liabilities.

Significant investments, material acquisitions and disposals

On 28 October 2019, the Properties Management Companies Group acquired 50% interests in Bandao Xin City from an independent third party. Bandao Xin City is engaged in the property management services. The purchase consideration for the acquisition was satisfied by cash. The acquisition has been accounted for using the acquisition method.

Save for the above, the Properties Management Companies Group did not have significant investments, material acquisitions and disposals during the Track Record Period.

Capital Commitments

The Properties Management Companies Group did not have material capital commitment as at 31 December 2018, 2019, 2020 and 30 September 2021.

Employees and remuneration policy

The Properties Management Companies Group adopts remuneration policies which are similar to its peer in the industry and reviews such policies on a regular basis. The remuneration payable to its staff is fixed by reference to the duties and prevailing market rates in the region. The Properties Management Companies Group also participates in different social welfare plans for its employees in compliance with the applicable statutory requirements in the PRC and local governments.

As at 31 December 2018, 2019, 2020 and 30 September 2021, the Properties Management Companies Group had approximately 351, 364, 359 and 369 employees, respectively; and the total remuneration including the contribution in pension scheme, wages and salaries and other employee benefits amounted to approximately RMB2.70 million, RMB3.56 million, RMB2.45 million and RMB3.70 million for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, respectively.

The following is text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Ernst & Young, regarding the financial information of the Properties Management Companies.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN HAILIAN PROPERTY MANAGEMENT CO., LTD. AND HUIZHOU HUIYANG PENINSULA ONE PROPERTY MANAGEMENT CO., LTD. TO THE DIRECTORS OF KINGWELL GROUP LIMITED

Introduction

We report on the historical financial information of Shenzhen Hailian Property Management Co., Ltd. and its subsidiaries and Huizhou Huiyang Peninsula One Property Management Co., Ltd. (together, the "Target Group") set out on pages III-4 to III-62, which comprises the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and combined statements of cash flows of the Target Group for each of the years ended 31 December 2018, 2019 and 2020, and the nine months ended 30 September 2021 (the "Relevant Periods"), the combined statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020 and 30 September 2021 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III-4 to III-62 forms an integral part of this report, which has been prepared for inclusion in the circular of Kingwell Group Limited (the "Company") dated 25 March 2022 (the "Circular") in connection with the Company's proposed acquisition of 51% equity interests of the Target Group.

Directors' responsibility for the Historical Financial Information

The directors of the Target Group are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 Group as at 31 December 2018, 2019 and 2020 and 30 September 2021 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the nine months ended 30 September 2020 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 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 Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Target Group in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2022

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young 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.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	Nine months ended 30 September 2020 RMB'000 (unaudited)	2021 RMB'000
REVENUE	4	38,859	41,458	62,006	45,600	49,431
Cost of sales		(35,491)	(37,918)	(44,072)	(31,244)	(36,682)
Gross profit		3,368	3,540	17,934	14,356	12,749
Other income and gains	4	39	196	376	306	307
Administrative expenses		(2,429)	(3,398)	(3,939)	(2,422)	(4,342)
Other expenses		(2,308)	(3,792)	(7,920)	(6,081)	(4,312)
Share of profits and losses of a joint venture		12	156	–	–	–
Investment income		–	3,745	–	–	–
(LOSS)/PROFIT BEFORE TAX	5	(1,318)	447	6,451	6,159	4,402
Income tax expense	8	(178)	13	(1,304)	(1,195)	(1,305)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		(1,496)	460	5,147	4,964	3,097
Attributable to:						
Owners of the parent		(1,605)	(505)	4,101	4,061	2,611
Non-controlling interests		109	965	1,046	903	486
		(1,496)	460	5,147	4,964	3,097

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2018	2019	2020	As at 30 September 2021
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Right-of-use assets	10	482	362	242	152
Goodwill	12	–	10,156	10,156	10,156
Other intangible assets	13	–	–	–	25
Investments in a joint venture	14	500	–	–	–
Deferred tax assets	15	19	1,370	2,237	4,018
Total non-current assets		1,001	11,888	12,635	14,351
CURRENT ASSETS					
Inventories	16	–	–	43,200	43,200
Trade receivables	17	648	1,254	1,784	1,738
Prepayments deposits and other receivables	18	27,388	42,431	13,462	41,865
Other current assets		55	55	–	–
Cash and cash equivalents	19	5,924	7,452	28,381	6,703
Total current assets		34,015	51,192	86,827	93,506
CURRENT LIABILITIES					
Trade payables	20	1,305	808	1,377	1,064
Other payables and accruals	21	32,688	58,005	84,352	86,529
Contract liabilities	4	–	–	2,279	706
Lease liabilities	10	115	121	126	131
Tax payable		123	330	2,491	5,313
Total current liabilities		34,231	59,264	90,625	93,743
NET CURRENT LIABILITIES		(216)	(8,072)	(3,798)	(237)
TOTAL ASSETS LESS CURRENT LIABILITIES		785	3,816	8,837	14,114

	Notes	As at 31 December 2018	2019	2020	As at 30 September 2021
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Lease liabilities	10	379	258	132	33
Contract liabilities	4	–	2,692	2,692	4,971
Total non-current liabilities		379	2,950	2,824	5,004
Net assets		406	866	6,013	9,110
EQUITY					
Equity attributable to owners of the parent					
Paid in capital/share capital	22	6,000	6,000	6,000	6,000
Reserves	23	(7,851)	(8,356)	(4,255)	(1,644)
		(1,851)	(2,356)	1,745	4,356
Non-controlling interests		2,257	3,222	4,268	4,754
Total equity		406	866	6,013	9,110

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					
	Paid-in capital/share capital *RMB'000* *(note 22)*	Statutory surplus reserve* *RMB'000* *(note 23)*	Retained loss/profits* *RMB'000*	Total *RMB'000*	Non-controlling equity *RMB'000*	Total *RMB'000*
At 1 January 2018	6,000	–	(6,246)	(246)	2,148	1,902
(Loss)/profit for the year	–	–	(1,605)	(1,605)	109	(1,496)
Total comprehensive (loss)/income for the year	–	–	(1,605)	(1,605)	109	(1,496)
Appropriation of retained profits	–	55	(55)	–	–	–
At 31 December 2018 and 1 January 2019	6,000	55	(7,906)	(1,851)	2,257	406
(Loss)/profit for the year	–	–	(505)	(505)	965	460
Total comprehensive (loss)/income for the year	–	–	(505)	(505)	965	460
Appropriation of retained profits	–	102	(102)	–	–	–
At 31 December 2019 and 1 January 2020	6,000	157	(8,513)	(2,356)	3,222	866
Profit for the year	–	–	4,101	4,101	1,046	5,147
Total comprehensive income for the year	–	–	4,101	4,101	1,046	5,147
Appropriation of retained profits	–	235	(235)	–	–	–
At 31 December 2020 and 1 January 2021	6,000	392	(4,647)	1,745	4,268	6,013
Profit for the period	–	–	2,611	2,611	486	3,097
Total comprehensive income for the period	–	–	2,611	2,611	486	3,097
At 30 September 2021	6,000	392	(2,036)	4,356	4,754	9,110

* *These reserve accounts comprised the combined reserves of RMB(7,845,000), RMB(8,309,000), RMB(3,547,000) and RMB1,023,000, in the combined statements of financial position as at 31 December 2018, 2019 and 2020 and 30 September 2021, respectively.*

	Attributable to owners of the parent					
	Paid-in capital/share capital *RMB'000* *(note 22)*	Statutory surplus reserve *RMB'000* *(note 23)*	Retained loss/profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2019 and 1 January 2020	6,000	157	(8,513)	(2,356)	3,222	866
Profit for the period	–	–	4,061	4,061	903	4,964
Total comprehensive income for the period	–	–	4,061	4,061	903	4,964
At 30 September 2020 (unaudited)	6,000	157	(4,452)	1,705	4,125	5,830

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	Nine months ended 30 September 2020 RMB'000 (unaudited)	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(1,318)	447	6,451	6,159	4,402
Adjustments for:						
Investment income		–	(3,745)	–	–	–
Share of profits and losses of a joint venture		12	156	–	–	–
(Loss)/gain on disposal of items of property, plant and equipment		30	(236)	(52)	–	9
Depreciation of property, plant and equipment		17	–	–	–	–
Depreciation of right-of-use assets	*10*	121	120	120	90	90
Impairment of financial assets, net		2,272	3,753	7,890	6,068	4,253
		1,134	495	14,409	12,317	8,754
(Increase) in inventories		–	–	(43,200)	(43,200)	–
(Increase) in trade receivables		(2,917)	(4,348)	(8,420)	(6,922)	(4,207)
(Increase)/decrease in prepayments, deposits and other receivables		(9,252)	(11,628)	28,968	33,712	(28,404)
Increase/(decrease) in trade payables		1,245	(521)	569	(688)	(313)
Increase in other payables and accruals		7,062	11,041	26,471	8,178	2,179
(Decrease)/increase in contract liabilities		(37)	2,692	2,279	–	705
Cash (used in)/generated from operations		(2,765)	(2,269)	21,076	3,397	(21,286)
Income tax paid		(204)	(1,693)	(11)	(746)	(265)
Net cash flows (used in)/from operating activities		(2,969)	(3,962)	21,065	2,651	(21,551)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of items of other intangible assets		–	–	–	–	(25)
Acquisition of a subsidiary	*24*	–	5,626	–	–	–
Net cash flows from/(used in) investing activities		–	5,626	–	–	(25)
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid	*25(b)*	(26)	(21)	(15)	(12)	(8)
Principal portion of lease payments	*25(c)*	(109)	(115)	(121)	(90)	(94)
Net cash flows used in financing activities		(135)	(136)	(136)	(102)	(102)

	Notes	Year ended 31 December			Nine months ended 30 September	
		2018	**2019**	**2020**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,104)	1,528	20,929	2,549	(21,678)
Cash and cash equivalents at beginning of the year/period		9,028	5,924	7,452	7,452	28,381
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		5,924	7,452	28,381	10,001	6,703
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		5,924	7,452	28,381	10,001	6,703
CASH AND CASH EQUIVALENTS AS STATED IN THE COMBINED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		5,924	7,452	28,381	10,001	6,703

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shenzhen Hailian Property Management Co., Ltd. is a limited liability enterprise registered in the People's Republic of China (the "PRC") on 26 March 2001. Its registered address is 6th floor, Seaview Plaza, No. 18, Taizi Road, Shekou, Nanshan District, Shenzhen, Guangdong, PRC.

Huizhou Huiyang Peninsula One Property Management Co., Ltd. is a limited liability enterprise registered in the People's Republic of China (the "PRC") on 1 December 2006. Its registered address is third floor, Dongfang New Town Club, Qiuchang Town, Huiyang District, Huizhou, Guangdong, PRC.

Shenzhen Hailian Property Management Co., Ltd. and Huizhou Huiyang Peninsula One Property Management Co., Ltd. ("the Target Group") were involved in the provision of property management services, parking management services and other integrated community services and operations in the PRC.

In the opinion of the directors of the Target Group, the immediate holding company and the ultimate holding company of the Target Group are China Construction Shekou Development Co., Ltd. incorporated in the PRC and Hong Kong China Construction Development Co., Ltd. incorporated in Hong Kong, respectively, both of which hold 80% equity interest in Shenzhen Hailian Property Management Co., Ltd. and 100% equity interest in Huizhou Huiyang Peninsula One Property Management Co., Ltd..

As at the date of this report, the Target Group had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Target Group	Principal activities
惠州市惠陽半島新城市物業管理有限公司 Huizhou Huiyang Bandao Xin City Property Management Co., Ltd.#	PRC/Mainland China 13 April 2007	RMB1,000,000	100%	Property management services
肇慶市海聯物業管理有限公司 Zhaoqing Hailian Property Management Co., Ltd.#	PRC/Mainland China 5 June 2020	RMB1,000,000	100%	Property management services

\# *The English names of these companies registered in the PRC represent the best efforts made by the directors of the Target Group to translate the Chinese names of these companies as they do not have official English names.*

During the year ended 31 December 2019, the Target Group acquired 50% equity interest in Huizhou Huiyang Bandao Xin City Property Management Co., Ltd. Further details of this acquisition are included in note 24 to the Historical Financial Information.

No audited financial statements have been prepared for Huizhou Huiyang Bandao Xin City Property Management Co., Ltd. for the years ended 31 December 2018, 2019 and 2020, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

No statutory audited financial statements have been prepared for Zhaoqing Hailian Property Management Co., Ltd. as it was newly established in 2020 and the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

2.1 BASIS OF PRESENTATION

The companies now comprising the Target Group were under the common control of the controlling shareholders. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for the Relevant Periods and the nine months ended 30 September 2020 include the results and cash flows of all companies now comprising the Target Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Target Group, where this is a shorter period. The combined statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020 and 30 September 2021 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders, and changes therein, are presented as non-controlling interests in equity in applying the principles of merger accounting.

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

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

The Target Group recorded net current liabilities of RMB216,000, RMB8,072,000, RMB3,798,000 and RMB237,000 as at 31 December 2018, 2019 and 2020 and 30 September 2021, respectively.

In view of the net current liabilities position, the management of the Target Group has given careful consideration to the future liquidity and performance of the Target Group and its available sources of finance in assessing whether the Target Group will have sufficient financial resources to continue as a going concern. Having considered the cash inflow from operations and its available resource of finance and the ability of the management in adjusting the pace of its operation expansion, the management of the Target Group are satisfied that the Target Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of the Target Group are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 17	Insurance Contracts[2,4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

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

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Target Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Target Group's investments in joint ventures are stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Target Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the combined statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Target Group recognises its share of any changes, when applicable, in the combined statement of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its joint ventures are eliminated to the extent of the Target Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Target Group's investments in joint ventures.

Business combinations other than those under common control and goodwill

Business combinations for entities or businesses not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial 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 assets and liabilities that are recognised in the 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 of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

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

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

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

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

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

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

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

(viii) 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 parent of the Target Group.

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvement	Over the remaining lease terms of the leased buildings
Buildings (excluding the right-of-use assets)	
Plant and Machinery	
Motor vehicles	
Furniture and office equipment	

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised 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 the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Other Intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be finite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an other intangible asset with a finite useful life are reviewed at least at each financial year end.

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

Leases

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Target Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets (relate to the buildings) are measured at cost, less any accumulated depreciation and amortisation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated and amortised on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings

If ownership of the leased asset transfers to the Target Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Target Group as a lessor

When the Target Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Target Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Target Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Target Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Target Group and the amount of the dividend can be measured reliably, except when the Target Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- The Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Group considers a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payable, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Property management services

For property management services, revenue is recognised when services are rendered to the customer at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange of those services.

The Target Group charged property management fees in respect of the property management services on a lump sum basis and on a commission basis.

Under the lump sum basis, the Target Group is primary responsible for providing the property management services including cleaning, security, gardening, repair and maintenance services and is entitled to retain the full amount of received property management fees. From the property management fees, the Target Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees the Target Group collected is not sufficient to cover all the expenses incurred, the Target Group is not entitled to request the property owners to pay the shortfall.

Accordingly, on a lump sum basis, the Target Group recognises as revenue the full amount of property management fees the Target Group charged to the property owners and property developers.

These services are performed by an indeterminate number of acts over a specified period of time. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other methods better represents the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

Under the commission basis, the Target Group is entitled to a fixed amount of management fees which the property owners and property developers are obligated to pay over a specific contract period. The remainder of the property management fees received on behalf by the Target Group is used as property management working capital to cover the property management expenses associated with the property management work. In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally repayable to the customer. In the event of a shortfall of working capital to pay for the relevant property management expenses, the Target Group may need to make up for the shortfall and pay on behalf of the community management offices first, with a right to recover from the residents subsequently.

Under the commission basis, the Target Group essentially acts as an agent of the property owners and property developers to arrange and monitor the services provided by other suppliers for the property management work and accordingly, the Target Group only recognises as its revenue the predetermined property management fees on a straight-line basis over the specified contract period.

(ii) Value-added services

Value-added services mainly included (i) cleaning, car park management services, sales assistance services (such as security services, cleaning services and visitor reception to sales offices and show flats of property developers) and consultancy services which are recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Target Group; (ii) pre-delivery support services provided to property developer (such as pre-delivery inspection services) which is charged for each service provided and recognised when the relevant services are rendered; and (iii) sale of relevant products to customers which are recognised at a point in time on delivery of such products to the customers.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

The employees of the Target Group in Mainland China are required to participate in a central pension scheme operated by the local municipal governments. The Target Group is required to contribute a certain portion of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and other receivables

The Target Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customers/debtors that have similar loss patterns (i.e. by service type, customer type and rating).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Target Group's trade receivables and other receivables is disclosed in notes 17 and 18 to the Historical Financial Information.

Impairment of goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at the end of each of the Relevant Periods, the carrying amount of goodwill were nil, RMB10,156,000, RMB10,156,000 and RMB10,156,000, respectively. Further details are included in note 12 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Target Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (''IBR'') to measure lease liabilities. The IBR is the rate of interest that the Target Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Target Group ''would have to pay'', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Target Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. REVENUE, OTHER INCOME AND GAINS AND CONTRACT LIABILITIES

Revenue comprised proceeds from property management services, parking management services, collection of water and electricity charges, site management services during the Relevant Periods and the nine months ended 30 September 2020. An analysis of revenue is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Property management services	28,035	29,379	46,761	34,904	35,998
Parking management services	8,580	9,584	12,352	8,721	10,763
Other income*	2,244	2,495	2,893	1,975	2,670
	38,859	41,458	62,006	45,600	49,431

* *Other income is mainly related to other property-related value-added services, such as site management fees, rent, income from collection of utility fees.*

Contract liabilities

The Target Group recognised the following revenue-related contract liabilities:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	–	2,692	4,971	5,677
Less: current portion of contract liabilities	–	–	2,279	706
Noncurrent portion of contract liabilities	–	2,692	2,692	4,971

Details of contract liabilities by types of services are as below:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property management services	–	2,692	4,971	5,677

As at 1 January 2018, the Target Group had contract liabilities amounted to nil. Contract liabilities of the Target Group mainly arise from the advance payments received from customers for services yet to be provided. Changes to the balances of contract liabilities are mainly arising from recognition of revenue and receipt of advances from customers during the Relevant Periods.

The following table shows the revenue recognised during the Relevant Periods and the nine months ended 30 September 2020 related to carried-forward contract liabilities:

	Year ended 31 December			Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period:					
Property management services	–	666	2,430	1,826	3,522

Revenue from contracts with customers

(a) Performance obligations

Information about the Target Group's performance obligations is summarised below:

For property management services, the performance obligation is satisfied over time as services are rendered to the customer. Payments from customers are due upon the issuance of demand notes.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as followings:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:				
Within one year	–	–	2,279	706
After one year but within two years	–	2,692	–	2,279
After two years but within five years	–	–	2,692	2,692
	–	2,692	4,971	5,677

Other income and gains

	Year ended 31 December			Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Government grants	–	–	44	–	–
Tax incentives on value-added tax	–	94	123	104	100
Forfeiture income	6	64	152	165	13
Income from investment	26	22	28	21	23
Others	7	16	29	16	171
	39	196	376	306	307

5. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	Nine months ended 30 September 2020 RMB'000 (unaudited)	2021 RMB'000
Cost of services provided*		35,491	37,918	44,072	31,244	36,682
Depreciation of property plant and equipment		183	–	–	–	–
Depreciation of right-of-use assets	*10*	121	120	120	90	90
Auditors' remuneration		4	4	4	4	3
Employee benefit expenses (excluding directors' and chief executive's remuneration) *(note 6):*						
Wages and salaries		1,575	2,211	2,254	1,476	2,239
Pension scheme contributions		1,123	1,351	193	193	1,456
		2,698	3,562	2,447	1,669	3,695
Impairment on financial assets net**:						
Trade receivables	*17*	2,269	3,742	7,891	6,068	4,253
Other receivables	*18*	3	11	(1)	–	–

* *An amount of RMB23,989,000, RMB23,078,000, RMB27,440,000, RMB19,529,000 and RMB22,727,000 of employee benefit expenses was included in cost of services provided during the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, respectively.*

** *Included in "Other expenses" in the combined statements of profit or loss and other comprehensive income.*

6. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The directors of the Target Group during the Relevant Periods and the nine months ended 30 September 2021 are Mr. Ma Xiaotie, Ms. Chen Huijuan, Mr. Li Jianting (appointed with effect from 23 August 2018), Mr. Xie Shijie (appointed with effect from 23 August 2018), Mr. Chen Puping (resigned with effect from 23 August 2018), Mr. Tian Yong (resigned with effect from 23 August 2018), Mr. Lin Jingshan, Mr. Zhang Songsheng, Mr. Zhang Huihai (appointed with effect from 7 September 2020) and Mr. Ma Chanhong. No emolument was paid or payable to any of the directors during the Relevant Periods and the nine months ended 30 September 2021.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021 are all employees which are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowance and benefits in kind	494	612	652	489	417
Pension scheme contributions	16	20	21	16	14
	510	632	673	505	431

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

	Year ended 31 December			Nine months ended 30 September	
	2018	**2019**	**2020**	**2020**	**2021**
				(unaudited)	
Nil to HK$1,000,000	5	5	5	5	5

8. INCOME TAX

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Target Group are domiciled and operate.

The income tax provision of the Target Group in the PRC in respect of their operations in Mainland China was calculated at the tax rate of 25% on their assessable profits for the Relevant Periods and the nine months ended 30 September 2020, except for certain subsidiaries of the Target Company in the PRC which are qualified as Small and Micro Enterprises and subject to a preferential income tax rate of 20% during the Relevant Periods and the nine months ended 30 September 2020, if applicable, based on the existing legislation, interpretations and practice in respect thereof.

	Year ended 31 December			Nine months ended 30 September	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current	197	73	2,171	1,820	3,086
Deferred *(note 15)*	(19)	(86)	(867)	(625)	(1,781)
Total tax charge/(credit) for the year/period	178	(13)	1,304	1,195	1,305

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate of each of the Relevant Periods and the nine months ended 30 September 2020 is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Loss)/profit before tax	(1,318)	447	6,451	6,159	4,402
Tax at the statutory tax rate (%)	(329)	112	1,613	1,539	1,100
Effect of different tax levies enacted by local authorities	–	(242)	(711)	(428)	(3)
Profits and losses attributable to a joint venture	(3)	(39)	–	–	–
Income not subject to tax	–	(936)	–	–	–
Expenses not deductible for tax	4	1	1	1	–
Tax losses utilised from previous years	(102)	(11)	(729)	(813)	–
Tax losses and deductible temporary difference not recognised	608	1,102	1,130	896	208
Tax charge/(credit) for the year/period	178	(13)	1,304	1,195	1,305

The share of tax attributable to a joint venture for the years ended 31 December 2018 and 2019 which is included in "Share of profits and losses of a joint venture" in the combined statements of profit or loss were nil.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the basis of presentation of the results of the Target Group for the Relevant Periods and nine months ended 30 September 2021.

10. LEASES

The Target Group as a lessee

The Target Group has lease contracts for buildings used in its operations and the term of leases are 5 years. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

(a) Right-of-use assets and lease liabilities

	Right-of-use assets Buildings *RMB'000*	**Lease liabilities** *RMB'000*
At 1 January 2018	603	603
Depreciation charge	(121)	–
Accretion of interest recognised during the year	–	26
Payments	–	(135)
At 31 December 2018 and 1 January 2019	482	494
Depreciation charge	(120)	–
Accretion of interest recognised during the year	–	21
Payments	–	(136)
At 31 December 2019 and 1 January 2020	362	379
Depreciation charge	(120)	–
Accretion of interest recognised during the year	–	15
Payments	–	(136)
At 31 December 2020 and 1 January 2021	242	258
Depreciation charge	(90)	–
Accretion of interest recognised during the period	–	8
Payments	–	(102)
At 30 September 2021	152	164

The lease liabilities are analysed into:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	115	121	126	131
Non-current portion	379	258	132	33
	494	379	258	164

The maturity analysis of lease liabilities is disclosed in note 29 to the Historical Financial Information.

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on lease liabilities	26	21	15	12	8
Depreciation charge of right of use assets	121	120	120	90	90
Total amount recognised in profit or loss	147	141	135	102	98

(c) The total cash outflow for leases is disclosed in note 25 to the Historical Financial Information.

11. DIVIDENDS

No dividends have been paid or declared by the Target Group during or subsequent to the Relevant Periods.

12. GOODWILL

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost and carrying amount	–	10,156	10,156	10,156

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to Bandao Xin City which was regarded as a cash-generating unit (the "Bandao Xin City CGU").

The recoverable amount of the Bandao Xin City CGU has been determined based on a value in use calculation using cash flow projection based on financial budget covering a five-year period approved by senior management.

	Annual revenue growth rate	Terminal growth rate	Budgeted gross margins	Pre-tax discount rate
31 December 2019	32%	0%	48%	23%
31 December 2020	0%	0%	49%	17%
30 September 2021	0%	0%	49%	24%

Assumptions were used in the value in use calculation of the Bandao Xin City CGU. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Annual revenue growth rate – The predicted annual revenue growth rate for the five years subsequent to the date of assessment is one of the assumptions used in the value in use calculations. The annual revenue growth rate is based on the historical performance and market outlook perceived by management.

Terminal growth rate – The terminal growth rate was estimated to be 0% which has taken into consideration the prevailing industry practice.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Details of the headroom measured by the excess of the recoverable amount over the carrying amount are as follows:

At the end of each of the Relevant Periods, the management of the Target Group considered there was no reasonably possible change in the key assumptions mentioned above that would cause the carrying amount of Bandao Xin City CGU to exceed its recoverable amount. The management of the Company determined that there was no impairment of Bandao Xin City CGU.

13. OTHER INTANGIBLE ASSETS

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Software				
At beginning of the year/period, net of accumulated amortisation	–	–	–	–
Additions	–	–	–	25
Amortisation provided during the year/period	–	–	–	–
At end of the year/period	–	–	–	25
At end of the year/period:				
Costs	–	–	–	25
Accumulated amortisation	–	–	–	–
Net carrying amount	–	–	–	25

14. INVESTMENTS IN A JOINT VENTURE

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	500	–	–	–

Particulars of the material joint venture are as follows:

Name	Place and date of registration and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Huizhou Huiyang Bandao Xin City Property Management Co., Ltd. ("Bandao xin City")	Mainland China 13 April 2007	RMB1,000,000	–	50%	Property operation services

Bandao Xin City, which is considered a material joint venture of the Target Group, is engaged in property management services and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Bandao Xin City, adjusted for any differences in accounting policies and reconciled to the carrying amount in the combined statements of financial position:

Bandao Xin City:

	As at 31 December 2018
	RMB'000
Current assets	13,376
Non-current assets	803
Current liabilities	(13,179)
Net assets	1,000
Reconciliation to the Target Group's interest in the joint venture:	
Proportion of the Target Group's ownership	50%
Group's share of net assets of the joint venture	500

	Year ended 31 December 2018
	RMB'000
Revenue	24
Profit and total comprehensive income for the year	24

15. DEFERRED TAX ASSETS

The movements in deferred tax assets are as follows:

Deferred tax assets

	Provision on impairment losses	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	–	–	–
Deferred tax credited to profit or loss during the year	16	123	139
At 31 December 2018 and 1 January 2019	16	123	139
Deferred tax credited/(charged) to profit or loss during the year	1,350	(29)	1,321
At 31 December 2019 and 1 January 2020	1,366	94	1,460
Deferred tax credited/(charged) to profit or loss during the year	867	(30)	837
At 31 December 2020 and 1 January 2021	2,233	64	2,297
Deferred tax credited/(charged) to profit or loss during the period	1,782	(23)	1,759
At 30 September 2021	4,015	41	4,056

Deferred tax liabilities

	Right-of-use assets
	RMB'000
At 1 January 2018	–
Deferred tax charged to profit or loss during the year	120
At 31 December 2018 and 1 January 2019	120
Deferred tax credited to profit or loss during the year	(30)
At 31 December 2019 and 1 January 2020	90
Deferred tax credited to profit or loss during the year	(30)
At 31 December 2020 and 1 January 2021	60
Deferred tax credited to profit or loss during the period	(22)
At 30 September 2021	38

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances of the Target Group for financial reporting purposes:

	As at 31 December			**As at 30 September**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the combined statements of financial position	19	1,370	2,237	4,018

At the end of each of the Relevant Periods, the Target Group had tax losses arising from Mainland China of RMB891,000, RMB1,180,000, RMB475,000 and RMB1,085,000, respectively, which would be expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it may not be probable that tax profits will be available against which the tax losses could be utilised.

16. INVENTORIES

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Parking lots	–	–	43,200	43,200

17. TRADE RECEIVABLES

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tarde receivables	2,917	10,494	18,915	23,122
Impairment	(2,269)	(9,240)	(17,131)	(21,384)
	648	1,254	1,784	1,738

Trade receivables mainly represent receivables from property management services, which is charged on a quarterly or monthly basis.

For trade receivables, the payment is generally due upon the issuance of demand notes. Trade receivables are interest-free. Overdue balances are reviewed regularly by management. The Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are interest-free.

An ageing analysis of the trade receivable as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	626	1,020	1,339	1,466
1 to 2 years	16	229	372	215
2 to 3 years	6	5	73	51
Over 3 years	–	–	–	6
	648	1,254	1,784	1,738

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	–	2,269	9,240	17,131
Increase from acquisition of a subsidiary	–	3,229	–	–
Impairment losses	2,269	3,742	7,891	4,253
At end of year/period	2,269	9,240	17,131	21,384

As at the end of each of the Relevant Periods, all trade receivables were denominated in RMB.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the trade receivables using a provision matrix:

	Third parties – past due				Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018					
Expected credit loss rate	71%	83%	83%	100%	78%
Gross carrying amount	1,377	1,065	414	61	2,917
Expected credit losses	983	882	343	61	2,269
As at 31 December 2019					
Expected credit loss rate	85%	90%	93%	100%	88%
Gross carrying amount	6,051	2,948	1,173	322	10,494
Expected credit losses	5,171	2,659	1,088	322	9,240
As at 31 December 2020					
Expected credit loss rate	86%	94%	97%	100%	91%
Gross carrying amount	9,434	5,883	2,787	811	18,915
Expected credit losses	8,095	5,511	2,714	811	17,131

	Third parties – past due				Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 September 2021					
Expected credit loss rate	87%	96%	99%	100%	92%
Gross carrying amount	11,697	5,734	3,744	1,947	23,122
Expected credit losses	10,231	5,519	3,693	1,941	21,384

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties	25,379	36,846	8,492	36,120
Prepayments	223	314	93	47
Other receivables	3,425	6,921	6,526	7,347
	29,027	44,081	15,111	43,514
Impairment losses	(1,639)	(1,650)	(1,649)	(1,649)
Total	27,388	42,431	13,462	41,865

The movements in provision for impairment are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	1,636	1,639	1,650	1,649
Impairment losses	3	11	(1)	–
At end of year/period	1,639	1,650	1,649	1,649

19. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	5,924	7,452	28,381	6,703

At 31 December 2018, 2019, 2020 and 30 September 2021, the cash and bank balances of the Target Group amounted to RMB5,924,000, RMB7,452,000, RMB28,381,000 and RMB6,703,000 and all the cash and bank balances of the Company were denominated in RMB. RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,305	808	1,377	1,064

An ageing analysis of the Target Group's trade payables at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,110	778	1,281	944
1 to 2 years	158	–	90	32
2 to 3 years	–	24	–	82
Over 3 years	37	6	6	6
	1,305	808	1,377	1,064

Trade payables are unsecured, interest-free and normally settled on terms of 30 to 90 days.

21. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties	19,559	29,440	54,342	56,126
Payroll and welfare payables	4,335	5,192	3,178	3,675
Other tax payables	250	834	1,260	1,486
Accruals and other payables	8,544	22,539	25,572	25,242
	32,688	58,005	84,352	86,529

Other payables and accruals are unsecured and interest-free.

22. PAID-IN CAPITAL/SHARE CAPITAL

A summary of movements in the Target Group's paid-in capital/share capital is as follows:

	Paid-in capital/ share capital
	RMB'000
As at 1 January 2018 and 31 December 2018, 2019, 2020 and 30 September 2021	6,000

23. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods and the nine months ended 30 September 2020 are presented in the combined statements of changes in equity.

(a) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the Target Group companies established in the PRC, the Target Group companies are required to appropriate 10% of their net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserves until the reserve balance reaches 50% of their registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Target Group companies, the statutory surplus reserves may be used either to offset losses, or to be converted to increase the share capital of the Target Group companies provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

24. BUSINESS COMBINATION

On 28 October 2019, the Target Group acquired 50% interests in Bandao Xin City from an independent third party. Bandao Xin City is engaged in the property management services. The purchase consideration for the acquisition was satisfied by cash. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of Bandao Xin City at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Property plant and equipment	199
Other receivables	3,226
Cash and cash equivalents	10,038
Trade payables	(24)
Other payables and accruals	(14,223)
Tax payable	(560)
Total identified net assets at fair value	(1,344)
Satisfied by:	
Cash consideration	4,412
Net carrying amount of previously held interest in Bandao Xin City	4,400
	8,812
Goodwill	10,156

The gross contractual amount of trade and other receivables as at the date of acquisition amounted to nil and RMB3,226,000 respectively.

An analysis of the cash flows in respect of the above acquisition is as follows:

	RMB'000
Cash consideration	4,412
Cash and bank balances acquired	(10,038)
Net inflow of cash and cash equivalent included in cash flows from investing activities	5,626

Since the acquisition, Bandao Xin City contributed RMB2,867,000 to the Target Group's revenue and RMB63,000 to the combined profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2019 would have been RMB56,064,000 and RMB772,000, respectively.

25. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2018, the Target Group had non-cash additions to right-of-use assets and lease liabilities of RMB603,000, nil in 2019 and 2020 and the nine months ended 30 September 2021 respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities is as follows:

Years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021

	Leased liabilities *RMB'000*
At 1 January 2018	
New leases	603
Interest expenses	26
Changes from financing cash flows	(135)
At 31 December 2018 and 1 January 2019	494
Interest expenses	21
Changes from financing cash flows	(136)
At 31 December 2019 and 1 January 2020	379
Interest expenses	15
Changes from financing cash flows	(136)
At 31 December 2020 and 1 January 2021	258
Interest expenses	8
Changes from financing cash flows	(102)
At 30 September 2021	164

Nine months ended 30 September 2020 (unaudited)

	Leased liabilities
	RMB'000
At 31 December 2019 and 1 January 2020	379
Interest expenses	12
Changes from financing cash flows	(102)
At 30 September 2020	289

(c) Total cash outflow for leases

The total cash outflow for leases included in the combined statements of cash flows is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Within financing activities	135	136	136	102	102

26. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related companies	Relationship with the Target Group
China Construction Shekou Development Co., Ltd.	Parent Company
Chung Kin Development Company Limited	Fellow subsidiaries
Property Management Branch of CSCEC Shekou Development Co., Ltd.	Fellow subsidiaries
Shenzhen Shekou Chungkin Industry Co., Ltd.	Fellow subsidiaries
Shenzhen Guanghuasheng Mining Investment Co., Ltd.	Fellow subsidiaries
Huiyang Honghenglong Real Estate Development Co., Ltd.	Fellow subsidiaries
Huizhou Hongfu Real Estate Co., Ltd.	Fellow subsidiaries
Huizhou Hongyang Real Estate Co., Ltd.	Fellow subsidiaries
Huiyang Jianyang Industry Development Company	Fellow subsidiaries

Name of related companies	Relationship with the Target Group
Huizhou Runcheng Real Estate Development Co., Ltd.	Fellow subsidiaries
Huizhou Taihong Investment Development Co., Ltd.	Fellow subsidiaries
Huizhou Runtian Real Estate Development Co., Ltd.	Fellow subsidiaries
Huizhou Taicheng Investment Development Co., Ltd.	Fellow subsidiaries
Huiyang New Town Shifang Land Property Development Co., Ltd.	Fellow subsidiaries
Huizhou Taicheng Hotel Co., Ltd.	Fellow subsidiaries
Shanghai Wangxing Real Estate Marketing Planning Office (Limited Partnership)	Fellow subsidiaries

(b) Transactions with related parties

	As at 31 December			30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances of loans paid				
Parent Company	2,350	3,205	2,300	26,013
Fellow subsidiaries	950	–	–	–
	3,300	3,205	2,300	26,013
Receipt of loan repaid				
Parent Company	2,000	1,300	17,305	–
Purchase of parking lots				
– Fellow subsidiaries	–	–	43,200	–

(c) Outstanding balances with related parties

		As at 31 December			As at 30 September
	Note	2018	2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments and other receivables	*(i)*				
Parent Company		16,100	18,005	3,000	29,013
Fellow subsidiaries		9,279	18,841	5,492	7,107
		25,379	36,846	8,492	36,120
Other payables	*(i)*				
Parent Company		2,929	2,929	2,929	2,929
Fellow subsidiaries		16,630	26,511	51,413	53,197
		19,559	29,440	54,342	56,126

Note:

(i) Save as disclosed elsewhere in this report, these balances are unsecured, interest-free and repayable on demand.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
Trade receivables	648	1,254	1,784	1,738
Financial assets included in prepayments deposits and other receivables	27,388	42,431	13,462	41,865
Cash and cash equivalents	5,924	7,452	28,381	6,703
	33,960	51,137	43,627	50,306

Financial liabilities

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost				
Trade payables	1,305	808	1,377	1,064
Financial liabilities included in other payables and accruals	32,688	58,005	84,352	86,529
Lease liabilities	494	379	258	164
	34,487	59,192	85,987	87,757

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instrument.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Target Group's operations.

The main risks arising from the Target Group's financial instruments are credit risk and liquidity risk.

The Target Group introduces conservative strategies on its risk management. To keep the Target Group's exposure to these risks to a minimum, the Target Group has not used any derivatives and other instruments for hedging purposes. The Target Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Credit risk

The Target Group is exposed to credit risk in relation to its trade receivables, other receivables, cash and cash equivalents.

The Target Group expects that there is no significant credit risk associated with cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks in Mainland China. Management does not expect that there will be any significant losses from non-performance by these banks.

The Target Group trades only with recognised and creditworthy customers. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk for trade receivables and other receivables as the customer bases of The Target Group's trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 December 2018, 2019 and 2020 and 30 September 2021. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	2,917	2,917
Financial assets included in prepayments deposits and other receivables	29,027	–	–	–	29,027
	29,027	–	–	2,917	31,944

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	10,494	10,494
Financial assets included in prepayments deposits and other receivables	44,081	–	–	–	44,081
	44,081	–	–	10,494	54,575

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	18,915	18,915
Financial assets included in prepayments deposits and other receivables	15,111	–	–	–	15,111
	15,111	–	–	18,915	34,026

As at 30 September 2021

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	23,122	23,122
Financial assets included in prepayments deposits and other receivables	43,514	–	–	–	43,514
	43,514	–	–	23,122	66,636

* *For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the Historical Financial Information.*

(b) Liquidity risk

Liquidity risk is the risk that the Target Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Target Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Target Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure.

The tables below analyse the maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, which is based on contractual undiscounted payments.

31 December 2018

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	1,110	195	–	1,305
Financial liabilities included in other payables and accruals	–	5,574	10,833	16,281	32,688
Lease liabilities	–	115	379	–	494
	–	6,799	11,407	16,281	34,487

31 December 2019

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	778	30	–	808
Financial liabilities included in other payables and accruals	–	23,010	19,498	15,497	58,005
Lease liabilities	–	121	258	–	379
	–	23,909	19,786	15,497	59,192

31 December 2020

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	1,281	96	–	1,377
Financial liabilities included in other payables and accruals	–	38,263	25,820	20,269	84,352
Lease liabilities	–	126	132	–	258
	–	39,670	26,048	20,269	85,987

30 September 2021

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	944	120	–	1,064
Financial liabilities included in other payables and accruals	–	18,276	47,326	20,927	86,529
Lease liabilities	–	131	33	–	164
	–	19,351	47,479	20,927	87,757

(c) Capital management

The Target Group's primary objectives for managing capital are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value.

The Target Group regards equity attributable to owners of the parent as capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders or return capital to shareholders. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a current ratio, which is total current assets divided by total current liabilities, and a liabilities to assets ratio, which is total liabilities divided by total assets. The current ratios and liabilities to assets ratios at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total current assets	34,015	51,192	86,827	93,506
Total current liabilities	34,231	59,264	90,625	93,743
Total assets	35,016	63,080	99,462	107,857
Total liabilities	34,610	62,214	93,449	98,747
Current ratio (%)	99	86	96	100
Liabilities to assets ratio (%)	99	99	94	92

30. EVENTS AFTER THE REPORTING PERIOD

No Significant subsequent events undertaken by the Target Group after 30 September 2021.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group, or any of the companies now comprising the Target Group in respect of any period subsequent to 30 September 2021.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The information set out below is for illustrative purpose only and does not form part of the accountants' report as set out in Appendix III to this Circular.

The unaudited pro forma financial information (the ''Unaudited Pro Forma Financial Information'') of Kingwell Group Limited (the ''Company'') and its subsidiaries (hereafter collectively referred to as the ''Group'') and Shenzhen Hailian Property Management Co., Ltd. and its subsidiaries and Huizhou Huiyang Peninsula One Property Management Co., Ltd. (the ''Target Group'') (the Group together with the Target Group are collectively referred to as the ''Enlarged Group''), has been prepared by the directors of the Company (the ''Directors'') in accordance with rule 4.29 of the Listing Rules, for illustrative purpose only, to provide information about how the acquisition of 51% equity interests of the Target Group (the ''Acquisition'') might have affected the financial position, results of operations and cash flows of the Group as if the Acquisition had been completed on i) 31 December 2021 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group; and ii) 1 July 2020 in respect of the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, respectively.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on: (i) the consolidated statement of financial position of the Group as at 31 December 2021, which was extracted from the published interim announcement of the Company for the six months ended 31 December 2021 dated 25 February 2022; and (ii) the audited combined statement of financial position of the Target Group as at 30 September 2021, which was extracted from the accountants' report thereon set out in Appendix III to this circular, and adjusted in accordance with the pro forma adjustments described in the notes thereon, as if the Acquisition had been completed on 31 December 2021.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on: (i) the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 30 June 2021, which were extracted from the published annual report of the Company dated 29 September 2021; and (ii) the audited combined statement of comprehensive income and the combined statement of cash flows of the Target Group for the year ended 31 December 2020, which were extracted from the accountants' report thereon set out in Appendix III to this circular, and adjusted in according with the pro forma adjustments described in the notes thereon, as if the Acquisition had been completed on 1 July 2020.

A narrative description of the pro forma adjustments of the Acquisition that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the financial position of the Enlarged Group that would have been attained had Acquisition been completed on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information does not support to predict the Enlarged Group's future results of operations, financial position or cash flows.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in the published annual report of the Company for the year ended 30 June 2021 dated 29 September 2021, and that of the Target Group, as set out in Appendix III to this circular, and the published interim announcement of the Company for the six months ended 31 December 2021 dated 25 February 2022, and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information of the Enlarge Group does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group	The Target Group	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(a)	*Note 2(a)*	*Note3*	*Note 4*	
NON-CURRENT ASSETS					
Right-of-use assets	–	152	–	–	152
Property, plant and equipment	1,279	–	–	–	1,279
Investment properties	2,085	–	–	–	2,085
Goodwill	4,821	10,156	–	8,302	23,279
Intangible assets	36,346	25	–	–	36,371
Deferred tax assets	4,799	4,018	–	–	8,817
Total Non-current Assets	49,330	14,351	–	8,302	71,983
CURRENT ASSETS					
Inventories	61,830	43,200	–	–	105,030
Trade receivables	17,614	1,738	–	–	19,352
Deposits and other receivables	2,744	41,865	–	–	44,609
Pledged deposits	235	–	–	–	235
Cash and cash equivalents	49,888	6,703	(2,122)	(15,500)	38,969
Total Current Assets	132,311	93,506	(2,122)	(15,500)	208,195
CURRENT LIABILITIES					
Trade payables	9,657	1,064	–	–	10,721
Other payables and accruals	10,838	86,529	–	–	97,367
Contract liabilities	1,528	706	–	–	2,234
Lease liabilities	–	131	–	–	131
Tax payable	24,373	5,313	(531)	–	29,155
Total Current Liabilities	46,396	93,743	(531)	–	139,608
NET CURRENT ASSETS	85,915	(237)	(1,591)	(15,500)	68,587
TOTAL ASSETS LESS CURRENT LIABILITIES	135,245	14,114	(1,591)	(7,198)	140,570

	The Group	The Target Group	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(a)	*Note 2(a)*	*Note3*	*Note 4*	
NON-CURRENT LIABILITIES					
Lease liabilities	–	33	–	–	33
Deferred tax liabilities	1,505	–	–	–	1,505
Contract liabilities	–	4,971	–	–	4,971
Total Non-current Liabilities	1,505	5,004	–	–	6,509
Net Assets	133,740	9,110	(1,591)	(7,198)	134,061
EQUITY					
Equity attributable to shareholders of the Company					
Issued capital	253,688	6,000	–	(6,000)	253,688
Other reserves	(139,850)	(1,644)	(1,591)	1,644	(141,441)
	113,838	4,356	(1,591)	(4,356)	112,247
Non-controlling interests	19,902	4,754	–	(2,842)	21,814
Total equity	133,740	9,110	(1,591)	(7,198)	134,061

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group	The Target Group	Pro forma adjustments	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 2(b)*	*Note3*	
REVENUE	34,246	62,006	–	96,252
Cost of sales	(25,647)	(44,072)	–	(69,719)
Gross profit	8,599	17,934	–	26,533
Other income and gains	1,855	376	–	2,231
Selling and distribution expenses	(455)	–	–	(455)
Administrative expenses	(11,403)	(3,939)	(2,122)	(17,464)
Other expenses	(4,098)	(7,920)	–	(12,018)
Finance costs	(36)	–	–	(36)
	(5,538)	6,451	(2,122)	(1,209)
Income tax expense	(1,621)	(1,304)	531	(2,394)
LOSS FOR THE YEAR	(7,159)	5,147	(1,591)	(3,603)
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(6,623)	–	–	(6,623)
Other comprehensive loss for the year	(6,623)	–	–	(6,623)
Total comprehensive loss for the year	(13,782)	5,147	(1,591)	(10,226)
Loss attributable to:				
Owners of the Company	(6,381)	4,101	(811)	(3,091)
Non-controlling interests	(778)	1,046	(780)	(512)
	(7,159)	5,147	(1,591)	(3,603)
Total comprehensive loss attributable to:				
Owners of the Company	(10,413)	4,101	(811)	(7,123)
Non-controlling interests	(3,369)	1,046	(780)	(3,103)
	(13,782)	5,147	(1,591)	(10,226)

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group	The Target Group	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 2(b)*	*Note 3*	*Note 4*	
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(5,538)	6,451	(2,122)	–	(1,209)
Adjustments for:					
Finance costs	36	–	–	–	36
Interest income	(1,062)	–	–	–	(1,062)
Gain on disposal of items of property, plant and equipment	(99)	(52)	–	–	(151)
Impairment of assets held for sale	313	–	–	–	313
Depreciation	226	120	–	–	346
Amortisation of intangible assets	516	–	–	–	516
Fair value loss/(gains) on investment properties	800	–	–	–	800
Write-down of inventories of properties to net realisable value	(2,823)	–	–	–	(2,823)
Impairment of financial assets, net	–	7,890	–	–	7,890
	(7,631)	14,409	(2,122)	–	4,656
Increase in inventories	(24,193)	(43,200)	–	–	(67,393)
Increase in trade receivables	(3,139)	(8,420)	–	–	(11,559)
(Increase)/decrease in deposits and other receivables	(897)	28,968	–	–	28,071
Decrease/(increase) in financial assets at fair value through profit or loss	5,303	–	–	–	5,303
Decrease/(increase) in pledged deposits	271	–	–	–	271
Increase in trade payables	3,854	569	–	–	4,423
(Decrease)/increase in other payables and accruals	(88)	26,471	–		26,383
(Decrease)/increase in contract liabilities	(2,672)	2,279	–	–	(393)
Cash (used in)/from operations	(29,192)	21,076	(2,122)	–	(10,238)
Taxes paid	(3,605)	(11)	–	–	(3,616)
Net cash flows (used in)/from operating activities	(32,797)	21,065	(2,122)	–	(13,854)

	The Group	The Target Group	Pro forma adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1(b)	*Note 2(b)*	*Note 3*	*Note 4*	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,062	–	–	–	1,062
Purchases of items of property, plant and equipment	(376)	–	–	–	(376)
Proceeds from disposal of investment properties	930	–	–	–	930
Proceeds from disposal of items of property, plant and equipment	359	–	–	–	359
Payments for subsidiary acquisitions	–	–	–	(15,500)	(15,500)
Net cash flows from/(used in) investing activities	1,975	–	–	(15,500)	(13,525)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	–	(15)	–	–	(15)
Principal portion of lease payments	–	(121)	–	–	(121)
Net cash flows used in financing activities	–	(136)	–	–	(136)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(30,822)	20,929	(2,122)	(15,500)	(27,515)
Cash and cash equivalents at beginning of year	84,596	7,452	–	–	92,048
Effect of foreign exchange rate changes, net	(2,152)	–	–	–	(2,152)
CASH AND CASH EQUIVALENTS AT END OF YEAR	51,622	28,381	(2,122)	(15,500)	62,381

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. (a) The amounts are extracted from the published interim announcement of the Company for the six months ended 31 December 2021 dated 25 February 2022.

   (b) The amounts are extracted from the published annual report of the Company for the year ended 30 June 2021 dated 29 September 2021.

2. (a) The amounts are extracted from the audited combined statement of financial position of the Target Group as at 30 September 2021, which was extracted from the accountants' report thereon set out in Appendix III to this circular.

   (b) The amounts are extracted from the audited combined statement of comprehensive income and the combined statement of cash flows of the Target Group for the year ended 31 December 2020, which were extracted from the accountants' report thereon set out in Appendix III to this circular.

3. The adjustment represents (i) estimated transaction costs of RMB2,122,000 incurred by the Group in connection with the Acquisition, and (ii) corresponding tax credits of approximately RMB531,000 arising from estimated transaction costs incurred as a result of the Acquisition.

   This adjustment on transaction costs is not expected to have continuing effect on the Enlarged Group's consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows.

4. The adjustment represents the consolidation adjustments to eliminate the pre-acquisition reserves of the Target Group and record the provisional goodwill in the Target Group as if the Acquisition had completed on 31 December 2021.

   Under Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Group will apply the purchase method to account for the Acquisition of 51% equity interests of the Target Group in the consolidated financial statements of the Group. The goodwill arising from the Acquisition is calculated as follows:

	Notes	*RMB'000*
Purchase cost of the Group	*(a)*	15,500
Non-controlling interests	*(b)*	(2,842)
Less: Fair value of identifiable net liabilities of the Target Group	*(c)*	(5,800)
Goodwill arising from the Acquisition (the "Goodwill")	*(d)*	18,458

(a) The purchase cost of the Group represents the consideration of the Group.

(b) The deficit balance of non-controlling interests of RMB2,842,000 represents 49% of the total fair value of identifiable net liabilities of the Target Group held by the minority shareholder.

(c) For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, in the opinion of the Directors, the Target Group's fair values of the assets and liabilities being acquired is subject to changes upon completion of the Acquisitions because the fair value of the assets and liabilities being acquired shall be assessed on the date of completion.

Since this Unaudited Pro Forma Financial Information of the Enlarged Group is prepared solely for illustrative purposes, the Directors had assumed that the fair values of identifiable net liabilities of the Target Group with net amount as at 30 September 2021 of RMB5,800,000 approximate to their fair values, which will be reassessed on the completion date of the Acquisition. The fair values of the assets and liabilities being acquired may subject to change after further assessment by the Directors at the Completion Date.

(d) A reconciliation of the goodwill arising from the Acquisition is as follows:

	RMB'000
Goodwill recorded by the Target Group	10,156
Pro forma adjustment	8,302
Goodwill arising from the Acquisition (the "Goodwill")	18,458

According to the Group's accounting policy, after initial recognition, the Goodwill will be measured at cost less any accumulated impairment losses. The Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the Goodwill is, from the acquisition date, allocated to one of the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Further, according to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the Goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss will be recognized. An impairment loss recognized for the Goodwill will not be reversed in a subsequent period.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the Goodwill in accordance with HKAS 36 *Impairment of Assets* and the Group's accounting policy. Based on the impairment test, the recoverable amount of the cash-generating unit in which the Target Group was assigned exceeds its carrying amount and accordingly, no pro forma adjustment in respect of goodwill impairment is made by the Directors in the Unaudited Pro Forma Financial Information for the Enlarged Group. Such assessment assumed that (i) there are no major material adverse changes in the fair values of the assets and liabilities; and (ii) the identifiable assets and liabilities can be realized at their book values. However, should there be any adverse changes to the business of the Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognized against the Goodwill in accordance with HKAS 36 and the Group's accounting policy.

The reporting accountants have conducted their engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus* and considered that the goodwill impairment test performed by the Directors is consistent with the Company's applicable financial reporting framework and its accounting policies under that framework. However, the reporting accountants did not perform an audit or review of the financial information used in the preparation of the goodwill impairment test prepared by the Directors.

The Directors confirmed that they will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of the Goodwill in subsequent reporting periods in accordance with the requirement of HKAS 36. The Company also confirmed with its auditors that they will audit and opine on the consolidated financial statements of the Company in accordance with Hong Kong Standards on Auditing.

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

The following is the text of a report received from the Company's reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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The Directors
Kingwell Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kingwell Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the unaudited pro forma consolidated statement of comprehensive income for the year ended 30 June 2021, the unaudited pro forma consolidated statement of cash flows for the year ended 30 June 2021 and related notes (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have complied the Unaudited Pro Forma Financial Information are described in Appendix IV of the circular of the Company dated 25 March 2022 (the "Circular").

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of 51% equity interests of Shenzhen Hailian Property Management Co., Ltd. and its subsidiaries and Huizhou Huiyang Peninsula One Property Management Co., Ltd. (together, the "Target Group") (the "Acquisition") on the Group's financial position as at 31 December 2021, and the Group's financial performance and cash flows for the year ended 30 June 2021 as if the transaction had taken place at 31 December 2021 and 1 July 2020, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the six months ended 31 December 2021 as contained in the published interim announcement of the Company dated 25 February 2022 and the Group's financial statements for the year ended 30 June 2021 as contained in the published annual report of the Company dated 29 September 2021. Information about the Target Group's financial position, financial performance and cash flows has been extracted by the Directors from Unaudited Pro Forma Financial Information (on which accountants' reports have been published in Appendix III of this Circular).

Directors' responsibility for the Unaudited Pro Forma Financial Information

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

Our independence and quality control

We have complied 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, 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 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 the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if 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 transaction 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 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 Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2022

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interests of the Directors and chief executive in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions, if any, 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 the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company 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 shares of the Company

Name of Director	Nature of interest	Number of Shares	Approximate % of the issued share capital of the Company
Mr. Du Yun	Interest held through controlled corporation	394,198,376 *(Note)*	13.62
Mr. Mu Dongsheng	Beneficial owner	277,777,777	9.60

Note: 394,198,376 Shares are held by Union Day Group Limited (a company incorporated in the British Virgin Islands with limited liability) which is 40% beneficially owned by Mr. Du Yun.

Save as disclosed above, as at the Latest Practicable Date, none of the Director and chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying 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 the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company 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.

Disclosure of interests of substantial shareholders

As at the Latest Practicable Date, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares	Approximate % of the issued share capital of the Company
Union Day Group Limited	Beneficial owner	394,198,376 *(Note)*	13.62
Mr. Yin Jia Tang	Beneficial owner	217,880,604	7.53

Note: 394,198,376 shares are held by Union Day Group Limited (a company incorporated in the British Virgin Islands with limited liability) which is 40% beneficially owned by Mr. Du Yun.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

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

(i) the sale and purchase agreement dated 14 August 2020 (the "**Zhongwei SPA**") entered into between Xuzhou Zhongwei Real Estate Co., Ltd.*(徐州市中維地產有限公司)("**Xuzhou Zhongwei**"), as vendor and Xuzhou Ronghui Commercial Management Company Limited*(徐州融滙商業管理有限公司)("**Xuzhou Ronghui**"), an indirectly wholly-owned subsidiary of the Company, as purchaser in relation to the acquisition of 3 blocks of 3-storey commercial buildings, which comprises of Block 10, Block 11 and Block 12 in the Xuzhou Yueqiao Flower Garden Project*(徐州月橋花院項目)developed by Xuzhou Zhongwei at an aggregated consideration of RMB40 million;

(ii) the supplemental sale and purchase agreement dated 4 January 2021 entered into between Xuzhou Zhongwei and Xuzhou Ronghui to supplement the Zhongwei SPA; and

(iii) the Agreement.

7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualifications of the expert who has been named in this circular and has given opinion or letter, which is contained in this circular:

Name	Qualification
Ernst & Young ("**Ernst & Young**")	Certified public accountants

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to its names in the form and context in which it appear in this circular.

As at the Latest Practicable Date, Ernst & Young did not have any shareholding, directly or indirectly, in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, Ernst & Young did not have any interest, direct or indirect, in any asset which since 30 June 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, has been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. GENERAL

(a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be so acquired, disposed of by or leased to any member of the Enlarged Group since 30 June 2021, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group, which was subsisting and was significant in relation to the business of the Enlarged Group.

(c) The company secretary of the Company is Mr. Poon Yan Wai. Mr. Poon is a Fellow Member of the Hong Kong Institute of Certified Public Accountants.

(d) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(e) The head office and principal place of business of the Company in Hong Kong is Units 314-315, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

(f) The branch share registrar of the Company in Hong Kong is Hong Kong Registrars Limited.

(g) The principal share registrar of the Company is Suntera (Cayman) Limited.

(h) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are on display and are published on the website of the Stock Exchange at www.hkexnews.com and the website of the Company at www.kingwell.todayir.com for a period of 14 days from the date of this circular:

(a) the Agreement;

(b) the accountants' report on the Properties Management Companies Group as set out in Appendix III to this circular;

(c) the report on the unaudited pro forma financial statements on the Enlarged Group as set out in Appendix IV to this circular; and

(d) the written consent referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix.

KINGWELL GROUP LIMITED
京維集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting ("**the EGM**") of Kingwell Group Limited (the "**Company**") will be held at Conference Room, Units 314-315, 3/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong at 11:00 a.m. on Tuesday, 19 April 2022 to consider and, if thought fit, passing, with or without modifications, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT:**

(a) the equity transfer agreement dated 18 January 2022 (the "**Agreement**") entered into between 深圳融匯控股集團有限公司 (Shenzhen Integration Holding Group Co. Ltd.*) as purchaser (the "**Purchaser**"), 中建蛇口發展有限公司 (China Construction Shekou Development Co., Ltd.*) as vendor (the "**Vendor**"), 惠州市惠陽半島壹號物業管理有限公司 (Huizhou Huiyang Peninsula One Property Management Co., Ltd.*) ("**Huiyang Peninsula One**") and 深圳市海聯物業管理有限公司 (Shenzhen Hailian Property Management Co., Ltd.*) ("**Shenzhen Hailian**") pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the 51% equity interests in each of Shenzhen Hailian and Huiyang Peninsula One, at the Consideration of RMB15.50 million be and is hereby approved, confirmed and ratified; and

(b) anyone of the directors of the Company (the "**Director(s)**") be and is hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement and any transactions contemplated thereunder."

Yours faithfully
By order of the Board
KINGWELL GROUP LIMITED
Mu Dongsheng
Chairman

Hong Kong, 25 March 2022

Notes:

1. As set out in the section headed "*Special Arrangements for the EGM*" of this circular (of which this notice forms part), **the EGM will be a hybrid meeting. The Company strongly encourages Shareholders to exercise their rights to attend and vote at the EGM by electronic facilities.** As Shareholders will not be permitted to attend the EGM in person, all Shareholders (other than those who are required to attend the EGM physically to form a quorate meeting) who wish to appoint a proxy to attend and vote at the EGM shall appoint the Chairman of the EGM as their proxy (for Shareholders who are required to attend the EGM physically to form a quorate meeting, a senior management member and/or a senior staff member of the Company shall be appointed as their proxy) by completing, signing and returning the proxy form in accordance with the instructions printed thereon to the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in the case of an appointment of proxy in hard copy or for a poll taken more than 48 hours) or to the electronic address specified in the EGM notice or in the proxy form (in the case of appointment of proxy in electronic form or for a poll taken more than 48 hours). For the EGM convened to be held on Tuesday, 19 April 2022 at 11:00 a.m., the deadline to submit completed proxy forms is Sunday, 17 April 2022 at 11:00 a.m. in the case of an appointment of proxy in hard copy form or in electronic form, or after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll in the case of a poll taken more than 48 hours.

2. Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy needs not be a member of the Company. However, given the special arrangements adopted by the Company as set out in the section headed "Special Arrangements for the EGM" of this circular (of which this notice forms part), if a Shareholder (other than those who are required to attend the EGM physically to form a quorate meeting) wishes to vote on any resolution at the EGM, he/she/it must complete the proxy form and appoint the Chairman of the EGM as his/her/its proxy to exercise his/her/its right to vote at the EGM in accordance with his/her/its instructions.

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

4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should they so wish. If the relevant member attends the EGM, the form of proxy shall be deemed to be revoked.

5. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be).

6. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.

7. Where there are joint registered holders of any share of the Company (the "**Share(s)**"), any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint registered holders are present at the EGM, whether in person or by proxy, the joint registered holders present whose name stands first on the register of members of the Company in respect of the Shares shall be accepted to the exclusion of the votes of the other registered holders.

8. The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM, from 12 April 2022 to 19 April 2022, both days inclusive, during which period no transfers of shares will be effected. In order to be eligible to attend and vote at the EGM, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on 11 April 2022.

9. COVID-19 PANDEMIC SITUATION

The Company will adopt the following special arrangements at the EGM for the purpose of public health and safety:

(a) The EGM will be held with the minimum number of persons present as is required under the articles of association of the Company to form a quorate meeting, together with a limited number of other attendees to ensure the proper conduct of the meeting. The quorum will be formed by the senior management members and/or senior staff members of the Company who are Shareholders and/or their proxies to maintain an internal grouping and minimise the risks posed by the COVID-19 pandemic at the EGM. No other Shareholder, proxy or corporate representative should attend the EGM in person in light of the continuing risks posed by the COVID-19 pandemic. Any other person who attempts to do so will be excluded and will not be permitted entry to the venue of the EGM.

(b) No refreshments will be served at the EGM.

(c) All resolutions at the EGM will be decided on a poll. Shareholders will still be able to vote by doing so in advance of the EGM by proxy. If a Shareholder (other than those who are required to attend the EGM physically to form a quorate meeting) wishes to vote on any resolution at the EGM, he/she/it must appoint the Chairman of the EGM as his/her/its proxy to exercise his/her/its right to vote at the EGM in accordance with his/her/its instructions.

(d) Shareholders can attend, participate and vote at the EGM through online access by visiting the website – http://meetings.computershare.com/MX64AFA (the "**Online Platform**"). Shareholders participating in the EGM using the Online Platform will also be counted towards the quorum and they will be able to cast their vote and submit questions through the Online Platform. The Online Platform will be open for registered Shareholders and non-registered Shareholders (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the EGM and can be accessed from any location with internet connection by a smart phone, tablet device or computer. Shareholders should allow ample time to check into the Online Platform to complete the related procedures. Please refer to the Online User Guide for the EGM at the website of the Company (https://kingwell.todayir.com) for assistance.

(e) Shareholders attending the EGM using the Online Platform will be able to submit questions relevant to the Company's proposed resolution online during the EGM. Shareholders can also send their questions to the Company by email from Thursday, 14 April 2022 (9:00 a.m.) to Sunday, 18 April 2022 (5:00 p.m.) to 1195@kingwellgroup.com.hk (for registered Shareholders, please state the 10-digit shareholder reference number starting with "C" (SRN) as printed on the top right corner of the Shareholder Notification).

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change and adopt contingency plans for the EGM arrangements at short notice, and the Company will ensure that the EGM arrangements are in compliance with the articles of association of the Company. While the Company will use its best endeavours to provide necessary updates to the Shareholders on its website at http://kingwell.todayir.com regarding the EGM arrangements, Shareholders should check the latest policies and notices announced by the Hong Kong Government and the website of the Company at https://kingwell.todayir.com for future updates on the EGM arrangements.

10. BAD WEATHER ARRANGEMENTS

The EGM will be held on Tuesday, 19 April 2022 as scheduled regardless of whether or not an amber or red rainstorm warning signal is in force in Hong Kong at any time on that day. However, if a black rainstorm warning signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at 8:30 a.m. on Tuesday, 19 April 2022, the EGM will not be held on that day but will be automatically postponed and, by virtue of this notice, be held at the same time and place on Tuesday, 26 April 2022 instead. Shareholders may call the hotline at 2882 1195 or visit the website of the Company at http://kingwell.todayir.com for details of the postponement and alternative meeting arrangements. Shareholders should make their own decision as to whether they would attend the EGM under bad weather conditions having regard to their own situation and if they should choose to do so, they are advised to exercise care and caution.

11. In the event of any inconsistency, the English language text of this notice shall prevail over the Chinese language text.

As at the date of this notice, the board of Directors comprises Mr. Mu Dongsheng and Mr. Du Yun as executive Directors, Mr. Cheung Chuen, Mr. Ling Aiwen and Mr. Lu Lin as independent non-executive Directors.